

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>CITY OF CHARLEVOIX</b>	County <b>CHARLEVOIX</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/30/05</b>	Date Accountant Report Submitted to State: <b>8/18/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR)			✓

Certified Public Accountant (Firm Name) <b>REHMANN ROBSON</b>			
Street Address <b>902 S. HURON ST., PO BOX 250</b>		City <b>CHEBOYAN</b>	State <b>MI</b>
		ZIP <b>49721</b>	
Accountant Signature <i>Annette Einstein, CPA, CGFM</i>			Date <b>8/18/05</b>

# **CITY OF CHARLEVOIX**

## **FINANCIAL STATEMENTS**

**For the Fiscal Year Ended  
March 31, 2005**

# CITY OF CHARLEVOIX

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# CITY OF CHARLEVOIX

## List of Elected and Appointed Officials For the Fiscal Year Ended March 31, 2005

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### Elected Officials

Mayor  
Mayor Pro Tem  
Council Member  
Council Member  
Council Member  
Council Member  
Council Member  
Clerk

Norman Carlson  
Robert Timms  
Bill Bellows  
Karen Campbell  
Sherm Chamberlain  
Shirley Gibson  
Bill Haggard  
Carol Ochs

### Appointed Officials

Manager  
Attorney  
Police Chief  
Fire & Ambulance  
Electric & Water Superintendent  
Treasurer  
Street Superintendent  
Wastewater/Water Superintendent  
Harbormaster  
Planning Director  
Zoning Administrator  
Recreation Director  
Director of Golf  
Airport Manager

Michael R. Wiesner  
James Young  
Dennis Halverson  
Paul Ivan  
Donald Swem  
Richard Brandi  
John Martin  
James Caldwell  
Hal Evans  
Gerry Harsch  
Dianne Manore  
Dwight Boss  
Tom Heid  
Jim Shull



## INDEPENDENT AUDITORS' REPORT

June 30, 2005

The Honorable Mayor and  
Members of the City Council  
City of Charlevoix  
Charlevoix County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Charlevoix** (the "City"), as of and for the year ended March 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.

## Management's Discussion and Analysis

As management of the **City of Charlevoix** (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2005.

### Financial Highlights

- The assets of the City (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$46,842,350 (*net assets*). Of this amount, \$5,438,819 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The primary government's total net assets increased by \$1,926,080.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,350,894, a decrease of \$31,841 in comparison with the prior year. Approximately 66 percent of this total amount, or \$890,014 is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$533,261 or 18 percent of total General Fund expenditures and transfers out.
- The primary government's total debt decreased by \$360,468 due to principal payments made during the year. There were no new primary government debt issues.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).



Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include legislative, general government, public safety, public works, health and welfare, and recreation and culture. The business-type activities of the City include electric, sewer, water and marina operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate authority – the Downtown Development Authority – for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-16 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 13 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Streets, Local Streets, Airport, City Hall Improvements and Infrastructure Improvements funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 17-20 and 27-32 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, sewage disposal, water distribution, and marina operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its motor pool and employee fringe benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The City also uses an internal service fund to account for DPW site maintenance. Services provided by this fund predominantly benefit business-type functions and it has been combined with *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, sewage disposal and water operations, each of which are considered to be major funds of the City, as well as the Marina fund, which is a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 21-26 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 33 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-54 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 55-60 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Charlevoix, assets exceeded liabilities by \$46,842,350 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (88 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (11 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Charlevoix - Primary Government  
Condensed Statement of Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Assets</b>						
Cash and other assets	\$ 1,940,372	\$ 2,038,265	\$ 5,012,236	\$ 5,081,534	\$ 6,952,608	\$ 7,119,799
Capital assets not being depreciated	17,744,612	18,699,344	609,468	609,468	18,354,080	19,308,812
Capital assets, net of accumulated depreciation	<u>8,518,837</u>	<u>5,618,205</u>	<u>14,687,864</u>	<u>14,893,592</u>	<u>23,206,701</u>	<u>20,511,797</u>
<b>Total assets</b>	<b><u>28,203,821</u></b>	<b><u>26,355,814</u></b>	<b><u>20,309,568</u></b>	<b><u>20,584,594</u></b>	<b><u>48,513,389</u></b>	<b><u>46,940,408</u></b>
<b>Liabilities</b>						
Current and other liabilities	337,731	426,049	991,097	838,001	1,328,828	1,264,050
Long-term debt, net of current portion	<u>342,211</u>	<u>294,466</u>	<u>-</u>	<u>350,000</u>	<u>342,211</u>	<u>644,466</u>
<b>Total liabilities</b>	<b><u>679,942</u></b>	<b><u>720,515</u></b>	<b><u>991,097</u></b>	<b><u>1,188,001</u></b>	<b><u>1,671,039</u></b>	<b><u>1,908,516</u></b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	26,117,419	24,162,100	14,947,332	14,803,060	41,064,751	38,965,160
Restricted	338,780	275,020	-	-	338,780	275,020
Unrestricted	<u>1,067,680</u>	<u>1,198,179</u>	<u>4,371,139</u>	<u>4,593,533</u>	<u>5,438,819</u>	<u>5,659,889</u>
<b>Total net assets</b>	<b><u>\$27,523,879</u></b>	<b><u>\$25,635,299</u></b>	<b><u>\$19,318,471</u></b>	<b><u>\$19,396,593</u></b>	<b><u>\$46,842,350</u></b>	<b><u>\$45,031,892</u></b>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$1,926,080 during the current fiscal year.

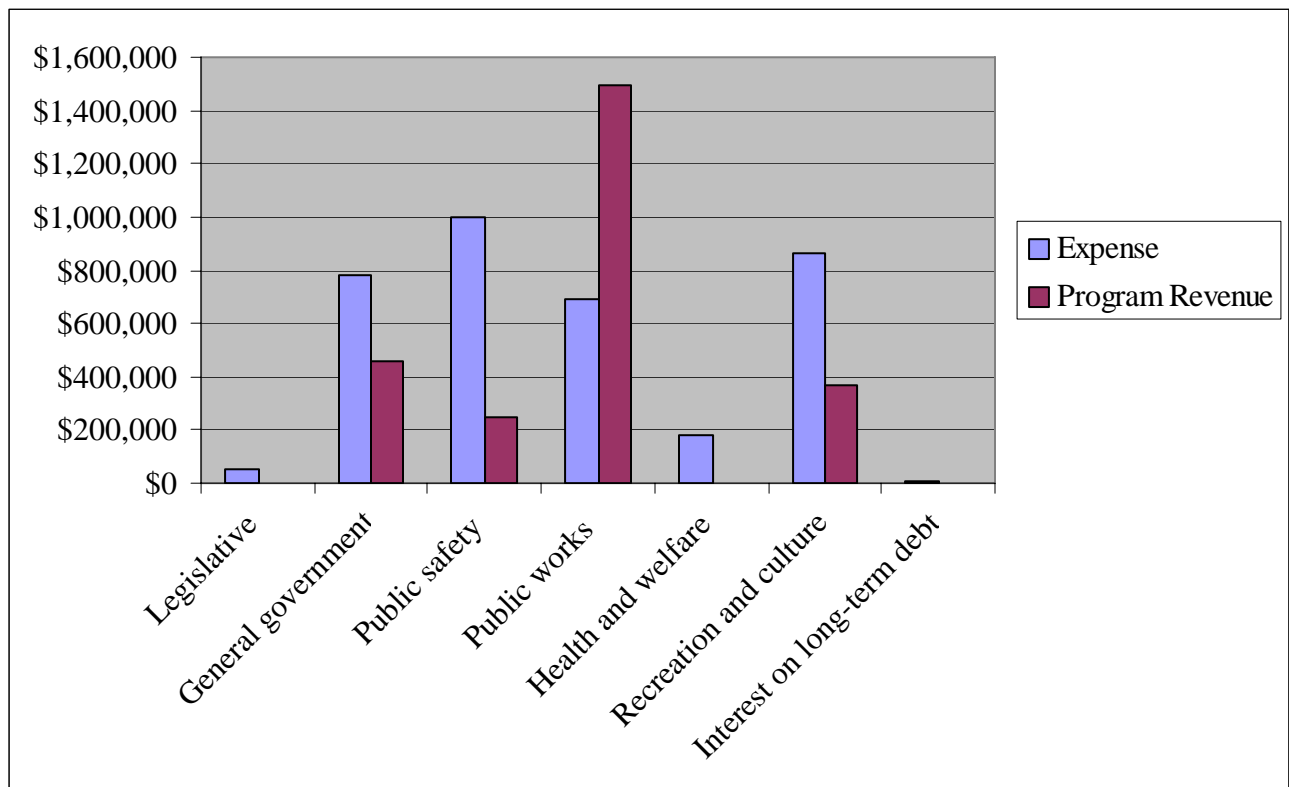
**City of Charlevoix - Primary Government**  
**Condensed Statement of Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 859,606	\$ 874,912	\$ 6,898,112	\$ 6,923,803	\$ 7,757,718	\$ 7,798,715
Operating grants and contributions	1,705,261	325,224	8,640	-	1,713,901	325,224
General revenues						
Property taxes	2,253,138	2,127,293	-	-	2,253,138	2,127,293
Grants and contributions not restricted to specific programs	326,327	339,120	-	-	326,327	339,120
Unrestricted interest income	32,675	23,847	74,714	73,882	107,389	97,729
Gain (loss) on sale of capital assets	16,939	(2,700)	-	-	16,939	(2,700)
<b>Total revenues</b>	<b><u>5,193,946</u></b>	<b><u>3,687,696</u></b>	<b><u>6,981,466</u></b>	<b><u>6,997,685</u></b>	<b><u>12,175,412</u></b>	<b><u>10,685,381</u></b>
<b>Expenses</b>						
Legislative	55,222	48,338	-	-	55,222	48,338
General government	779,660	793,983	-	-	779,660	793,983
Public safety	1,001,985	974,037	-	-	1,001,985	974,037
Public works	691,855	767,759	-	-	691,855	767,759
Health and welfare	178,524	173,361	-	-	178,524	173,361
Recreation and culture	865,223	929,511	-	-	865,223	929,511
Interest on long-term debt	8,817	8,945	-	-	8,817	8,945
Electric	-	-	4,652,897	5,009,160	4,652,897	5,009,160
Sewer	-	-	1,095,699	961,849	1,095,699	961,849
Water	-	-	774,655	786,164	774,655	786,164
Marina	-	-	144,795	153,406	144,795	153,406
<b>Total expenses</b>	<b><u>3,581,286</u></b>	<b><u>3,695,934</u></b>	<b><u>6,668,046</u></b>	<b><u>6,910,579</u></b>	<b><u>10,249,332</u></b>	<b><u>10,606,513</u></b>
Increase (decrease) in net assets before transfers	1,612,660	(8,238)	313,420	87,106	1,926,080	78,868
Transfers	275,920	1,214,500	(275,920)	(1,214,500)	-	-
<b>Change in net assets</b>	<b>1,888,580</b>	<b>1,206,262</b>	<b>37,500</b>	<b>(1,127,394)</b>	<b>1,926,080</b>	<b>78,868</b>
Net assets – beginning of year	25,635,299	24,429,037	19,396,593	20,523,987	45,031,892	44,953,024
Prior period adjustment	-	-	(115,622)	-	(115,622)	-
<b>Net assets – end of year</b>	<b><u>\$27,523,879</u></b>	<b><u>\$25,635,299</u></b>	<b><u>\$19,318,471</u></b>	<b><u>\$19,396,593</u></b>	<b><u>\$46,842,350</u></b>	<b><u>\$45,031,892</u></b>

**Governmental activities.** Governmental activities increased the City's net assets by \$1,888,580. Key elements of this increase are as follows:

- Property tax revenue increased by approximately \$126,000 (5.9%) during the year. This increase is the result of increased taxable value in the City.
- Federal and State of Michigan grants provided an additional \$1,055,321 for improvements at the airport and at City recreation facilities.
- The City Hall Improvements Capital Projects Fund received transfers of approximately \$101,000 and \$127,000 from the DPW Site internal service fund and Electric Utility proprietary fund, respectively and an additional \$125,000 advance from the Electric Fund to partially fund the City Hall renovation project.
- Infrastructure improvements were completed with the help of a State of Michigan grant (47.61%) for phase II of the Dixon Avenue storm sewer project. This project totaled \$391,287, with the Michigan Department of Transportation providing \$186,292 in grant monies.

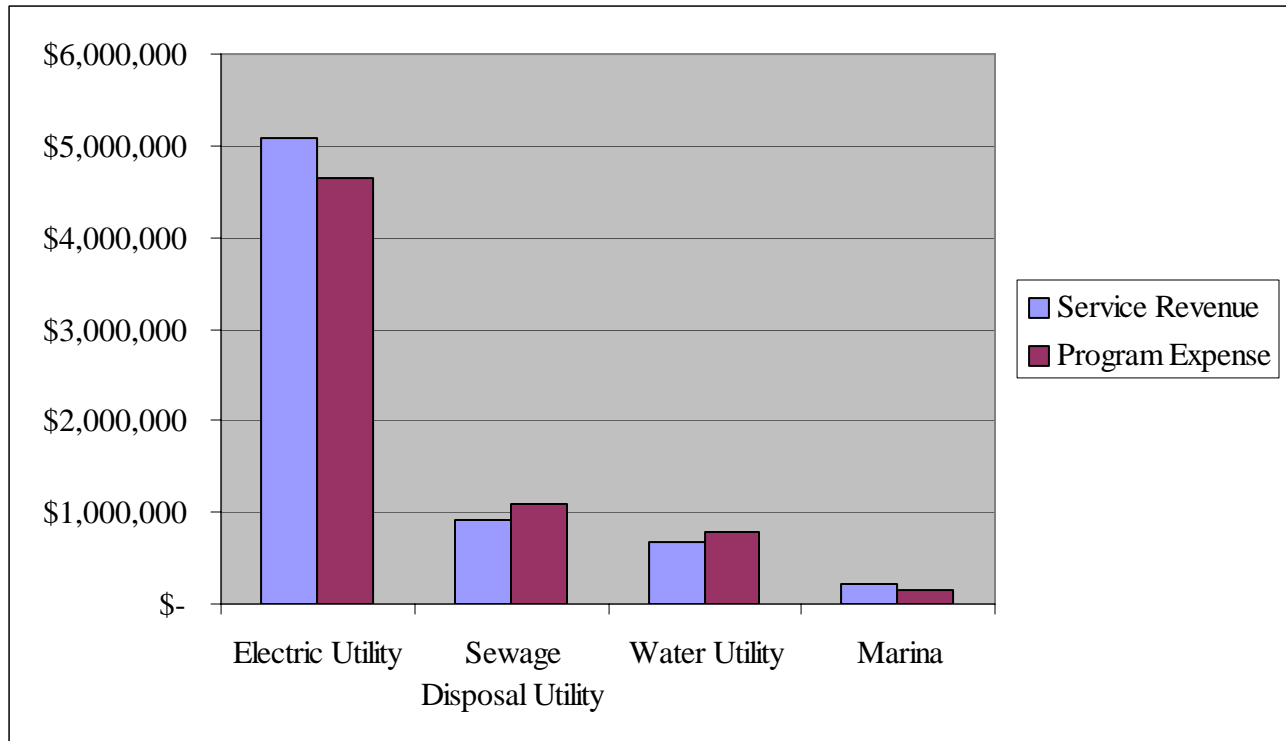
#### Expenses and Program Revenues – Governmental Activities



**Business-type activities.** Business-type activities decreased the City's net assets by \$78,122. Key elements of this change are as follows:

- Prior period adjustment in the amount of \$115,622 was recorded to correct the overstatement of customer accounts receivable as accounts written off in prior years were not reflected in the balance reported by the City and the total accounts receivable were not properly allocated between the utility funds.
- Net assets increased \$33,941 in all enterprise funds for 2004-05 fiscal year.

#### Expenses and Program Revenues - Business-type Activities



#### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,350,894, a decrease of \$31,841 in comparison with the prior year. A significant portion of the fund balances, \$1,012,114, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for Perpetual Care.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$655,361; a portion of this amount (\$122,100) has been designated for use in the subsequent year's budget. As a measure of the General Fund's liquidity, it may be useful to compare unreserved, undesignated fund balance to total fund expenditures and transfers out. Unreserved, undesignated fund balance represents 18 percent of total General Fund expenditures and transfers out.

The fund balance of the City's General Fund increased by \$215,066 during the current fiscal year, compared to a budgeted increase of \$164,919. Many factors contributed to this change during the year, but the main reason for the improved position at year end was due to the fact that the golf course water well project expected to be completed during the 2004-05 budget year will not be completed until after year end.

The Major Streets Fund had a total fund balance of \$98,367. The Major Streets Fund's fund balance increased by \$49,864, compared to a budgeted increase of \$7,347, due in most part to approximately \$41,000 in State grant revenue recorded for the storm sewer project on Dixon Avenue that the State of Michigan agreed to pay after the final amended budget was complete.

The Local Streets Fund had a total fund balance of \$70,575. The Local Streets Fund's fund balance decreased by \$12,745, compared to a budgeted decrease of \$31,539, due in most part to less work being required on Local Streets at the end of the winter (February and March 2005) after the final amended budget was complete.

The Airport Fund had a total fund balance of \$106,280. The Airport Fund's fund balance increased by \$86,116, compared to a budgeted increase of \$62,479, due in most part to receiving Federal and State grant monies which were expected and budgeted for in 2005-06.

***Proprietary funds.*** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Electric Utility, Sewage Disposal Utility, Water Utility and Marina Funds at the end of the year amounted to \$3,930,783 and the investment in capital assets net of related debt was \$14,806,713. After taking into consideration the prior period adjustment, the Electric Utility Fund had an increase in net assets for the year of \$34,234, the Sewage Disposal Utility Fund a decrease of \$126,501, the Water Utility Fund a decrease of \$62,789, whereas the Marina Fund had an increase of \$73,375. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

During the year, General Fund revenues and expenditures were lower than budgetary estimates. Combined with actual transfers in being over budget and the actual transfers out being under budget, the result was an increase in fund balance of \$215,066, compared to a budgeted increase of \$164,919. Substantially all of this increase resulted from the over budgeting of recreation and culture; all other functions exceeded the amended budget except for "Other expenditures". These variances usually occur due to the timing of budget approval and the requirement of the City Charter that ordinances do not take effect until one month after passage, requiring estimates to be made in late January or early February for the year ending March 31.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of March 31, 2005, amounted to \$41,560,781 (net of accumulated depreciation). This investment in capital assets includes land improvements, buildings and systems, equipment, vehicles and infrastructures including park facilities, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 4.4 percent.

Major capital asset events during the current fiscal year included the following:

- The city hall renovation project, reported as construction in progress at year end of approximately \$791,000.
- Electrical line construction of approximately \$292,000.
- Various land improvements at parks throughout the City of approximately \$26,000 and land and building improvements at the airport of approximately \$969,000.
- The sale of the building and 10/13ths of the Charlevoix Middle School property to the Charlevoix District Library for \$490,342. This capital event was in the Component Unit.

### City of Charlevoix - Primary Government Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$16,953,529	\$16,953,529	\$ 609,468	\$ 609,468	\$17,562,997	\$17,562,997
Construction-in-progress	791,083	1,745,815	-	-	791,083	1,745,815
Land improvements	2,399,931	2,017,887	560,694	591,760	2,960,625	2,609,647
Infrastructure	543,255	345,402	-	-	543,255	345,402
Buildings and systems	4,393,128	2,217,315	13,845,957	14,048,374	18,239,085	16,265,689
Equipment	508,134	441,171	281,213	253,458	789,347	694,629
Vehicles	<u>674,389</u>	<u>596,430</u>	<u>-</u>	<u>-</u>	<u>674,389</u>	<u>596,430</u>
<b>Total</b>	<b><u>\$26,263,449</u></b>	<b><u>\$24,317,549</u></b>	<b><u>\$15,297,332</u></b>	<b><u>\$15,503,060</u></b>	<b><u>\$41,560,781</u></b>	<b><u>\$39,820,609</u></b>

Additional information on the City's capital assets can be found in Note III C on pages 42-45 of this report.

**Long-term debt.** At the end of the current fiscal year, the City (primary government) had total bonded debt and installment purchase agreements outstanding of \$496,030. Of this amount, \$146,030 comprises debt backed by the full faith and credit of the government. The remainder of the City's primary government debt of \$350,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The City has also pledged its full faith and credit to the Downtown Development Authority Component Unit bonded and installment purchase debt agreements of \$2,290,000 and \$800,431 respectively.



**City of Charlevoix  
Outstanding Debt**

	<u><b>Governmental Activities</b></u>	<u><b>Business-type Activities</b></u>	<u><b>Component Unit</b></u>
General obligation bonds	\$ -	\$ -	\$ 2,290,000
Installment purchase agreements	146,030	-	800,431
Revenue bonds	<u>-</u>	<u>350,000</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 146,030</u></b>	<b><u>\$ 350,000</u></b>	<b><u>\$ 3,090,431</u></b>

The City's and Component Unit's total debt decreased by \$1,195,468.

The City has a "BBB" rating from Standard & Poor's for its Electric Revenue Bond issue and an "AAA" rating from Moody's for the LTGO Bond issue for the DDA.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$19,644,916, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note III F on pages 47-49 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2005-06 fiscal year:

- The unemployment rate for the City is currently 6.8 %, which is a decrease from a rate of 7.2% a year ago. This compares to the state's current average unemployment rate of 6.8 % and the national average rate of 5.0%.
- The tax collection rate for the year remained at 97% of billed taxes. This rate has remained virtually unchanged for the last 4 years. The County tax revolving fund reimburses the City for delinquent real property taxes in May each year following the March settlement.
- An increase of 10% in health care costs were factored in to the Employee Fringe Benefit (EFB) rate applied to all funds to maintain a break-even in the EFB. The actual increase effective August 1, 2005 is 9.01% from Blue Cross Blue Shield of Michigan.
- No revenue increase for State Revenue Sharing monies is factored into the budget. An additional millage of .6 mills was levied to offset the cost of refuse pickup, leaf and brush collection and composting operations in attempt to offset some of the no growth of State Revenue Sharing and inflationary increases in costs. A fund stabilization transfer of \$92,500 is proposed from the Infrastructure Fund to enable the same level of service to taxpayers be provided by the General Fund.

- The police labor contract expired March 31, 2004. A new contract is in arbitration and back pay is an issue. The 2005-06 Budget assumes an increase in wages to account for anticipated wage increases for the eight employees.
- Sewer rates increased 5.5%, water rates increased 2% and Electric rates increased 3.9% in line with a cost of service study to offset projected losses in the respective business type funds.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$655,361. The City has appropriated \$112,100 of this amount for spending in the 2005-06 fiscal year budgets. Such appropriations are intended to finance one-time capital expenditures, which are being supplemented by infrastructure dollars.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, 210 State Street, Charlevoix, Michigan 49720 or via email to [rbrandi@cityofcharlevoix.org](mailto:rbrandi@cityofcharlevoix.org) or by visiting our website at [www.cityofcharlevoix.org](http://www.cityofcharlevoix.org) for additional supplemental budgetary information.

**CITY OF CHARLEVOIX**  
**STATEMENT OF NET ASSETS**

**MARCH 31, 2005**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,479,473	\$ 1,001,700	\$ 2,481,173	\$ 395,311
Cash with fiscal agent	-	-	-	125,473
Investments	743,298	1,702,448	2,445,746	360,000
Receivables	242,840	834,684	1,077,524	1,442
Internal balances	(525,239)	525,239	-	-
Other assets	-	305,895	305,895	40,634
Restricted cash	-	58,327	58,327	-
Restricted investments	-	583,943	583,943	-
Capital assets not being depreciated	17,744,612	609,468	18,354,080	923,071
Capital assets, net of depreciaton	8,518,837	14,687,864	23,206,701	4,493,040
<b>Total assets</b>	<b>28,203,821</b>	<b>20,309,568</b>	<b>48,513,389</b>	<b>6,338,971</b>
<b>Liabilities</b>				
Accounts payable	247,071	614,762	861,833	23,487
Accrued liabilities	68,421	26,335	94,756	22,728
Noncurrent liabilities				
Long term debt due within one year	22,239	350,000	372,239	349,347
Long term debt due in more than one year	342,211	-	342,211	2,741,084
<b>Total liabilities</b>	<b>679,942</b>	<b>991,097</b>	<b>1,671,039</b>	<b>3,136,646</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	26,117,419	14,947,332	41,064,751	2,325,680
Restricted for				
Nonexpendable perpetual care	338,780	-	338,780	-
Unrestricted	1,067,680	4,371,139	5,438,819	876,645
<b>Total net assets</b>	<b>\$ 27,523,879</b>	<b>\$ 19,318,471</b>	<b>\$ 46,842,350</b>	<b>\$ 3,202,325</b>

The accompanying notes are an integral part of these basic financial statements.

# CITY OF CHARLEVOIX

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2005

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary government</b>				
Governmental activities				
Legislative	\$ 55,222	\$ -	\$ -	\$ (55,222)
General government	779,660	152,467	305,742	(321,451)
Public safety	1,001,985	215,229	34,311	(752,445)
Public works	691,855	134,791	1,356,909	799,845
Health and welfare	178,524	-	-	(178,524)
Recreation and culture	865,223	357,119	8,299	(499,805)
Interest on long-term debt	8,817	-	-	(8,817)
Total governmental activities	<u>3,581,286</u>	<u>859,606</u>	<u>1,705,261</u>	<u>(1,016,419)</u>
Business-type activities				
Electric	4,652,897	5,078,206	-	425,309
Sewage disposal	1,095,699	917,484	8,640	(169,575)
Water	774,655	685,649	-	(89,006)
Marina	144,795	216,773	-	71,978
Total business-type activities	<u>6,668,046</u>	<u>6,898,112</u>	<u>8,640</u>	<u>238,706</u>
<b>Total primary government</b>	<u><b>\$ 10,249,332</b></u>	<u><b>\$ 7,757,718</b></u>	<u><b>\$ 1,713,901</b></u>	<u><b>\$ (777,713)</b></u>
<b>Component unit</b>				
Downtown Development Authority	<u><b>\$ 345,183</b></u>	<u><b>\$ 600</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (344,583)</b></u>

Continued...

# CITY OF CHARLEVOIX

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED MARCH 31, 2005**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (1,016,419)	\$ 238,706	\$ (777,713)	\$ (344,583)
General revenues				
Property taxes	2,253,138	-	2,253,138	768,962
Grants and contributions not restricted to specific programs	326,327	-	326,327	-
Unrestricted investment earnings	32,675	74,714	107,389	8,405
Gain on sale of capital assets	16,939	-	16,939	-
Transfers - internal activities	275,920	(275,920)	-	-
Total general revenues, contributions and transfers	2,904,999	(201,206)	2,703,793	777,367
<b>Changes in net assets</b>	<b>1,888,580</b>	<b>37,500</b>	<b>1,926,080</b>	<b>432,784</b>
Net assets, beginning of year	25,635,299	19,396,593	45,031,892	2,769,541
Prior period adjustment	-	(115,622)	(115,622)	-
Net assets, beginning of year, as restated	25,635,299	19,280,971	44,916,270	2,769,541
<b>Net assets, end of year</b>	<b>\$ 27,523,879</b>	<b>\$ 19,318,471</b>	<b>\$ 46,842,350</b>	<b>\$ 3,202,325</b>

Concluded

The accompanying notes are an integral part of these basic financial statements.

# CITY OF CHARLEVOIX

## BALANCE SHEET GOVERNMENTAL FUNDS

MARCH 31, 2005

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Airport</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 513,072	\$ 45,281	\$ 32,256	\$ 74,172
Designated cash and cash equivalents				
Skate park	6,053	-	-	-
Investments	194,396	4,126	26,816	-
Accounts receivable	37,170	-	-	31,017
Taxes receivable	46,773	-	-	-
Interest receivable	1,915	25	165	-
Due from other funds	-	-	-	-
Due from other governments	36,601	52,051	12,675	5,728
<b>Total assets</b>	<b><u>\$ 835,980</u></b>	<b><u>\$ 101,483</u></b>	<b><u>\$ 71,912</u></b>	<b><u>\$ 110,917</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 157,392	\$ 132	\$ -	\$ 3,571
Accrued expenses	23,227	2,984	1,337	1,066
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
<b>Total liabilities</b>	<b><u>180,619</u></b>	<b><u>3,116</u></b>	<b><u>1,337</u></b>	<b><u>4,637</u></b>
<b>Fund balances (deficits)</b>				
Reserved				
Perpetual care	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	122,100	-	-	-
Undesignated	533,261	98,367	70,575	106,280
Undesignated - reported in non-major Capital Projects Funds	-	-	-	-
<b>Total fund balances (deficits)</b>	<b><u>655,361</u></b>	<b><u>98,367</u></b>	<b><u>70,575</u></b>	<b><u>106,280</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 835,980</u></b>	<b><u>\$ 101,483</u></b>	<b><u>\$ 71,912</u></b>	<b><u>\$ 110,917</u></b>

<u>City Hall Improvements</u>	<u>Infrastructure Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 211,680	\$ 41,270	\$ 346,345	\$ 1,264,076
-	-	-	6,053
1	-	396,524	621,863
-	-	-	68,187
-	14,162	-	60,935
-	-	2,779	4,884
140,618	-	-	140,618
-	-	-	107,055
<u><b>\$ 352,299</b></u>	<u><b>\$ 55,432</b></u>	<u><b>\$ 745,648</b></u>	<u><b>\$ 2,273,671</b></u>

\$ 63,343	\$ -	\$ 30	\$ 224,468
869	-	-	29,483
-	-	43,826	43,826
625,000	-	-	625,000
<u><b>689,212</b></u>	<u><b>-</b></u>	<u><b>43,856</b></u>	<u><b>922,777</b></u>

-	-	338,780	338,780
-	-	-	122,100
(336,913)	55,432	-	527,002
-	-	363,012	363,012
<u><b>(336,913)</b></u>	<u><b>55,432</b></u>	<u><b>701,792</b></u>	<u><b>1,350,894</b></u>
<u><b>\$ 352,299</b></u>	<u><b>\$ 55,432</b></u>	<u><b>\$ 745,648</b></u>	<u><b>\$ 2,273,671</b></u>

Continued...

# CITY OF CHARLEVOIX

## BALANCE SHEET GOVERNMENTAL FUNDS

MARCH 31, 2005

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### Reconciliation of fund balances on the balance sheet for governmental funds to net assets of governmental activities on the statement of net assets

<b>Fund balances - total governmental funds</b>	<b>\$ 1,350,894</b>
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.

Add - capital assets	30,371,334
Deduct - accumulated depreciation	(4,742,211)

Internal service funds are used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service funds	762,391
Add - portion of internal service funds net operating income attributed to business-type funds	2,969

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Deduct - installment contracts	(146,030)
Deduct - compensated absences - sick	(71,035)
Deduct - accrued interest on bonds payable	(4,433)

<b>Net assets of governmental activities</b>	<b><u>\$ 27,523,879</u></b>
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Concluded

The accompanying notes are an integral part of these basic financial statements.



# CITY OF CHARLEVOIX

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED MARCH 31, 2005

	General	Major Streets	Local Streets	Airport
<b>Revenues</b>				
Taxes	\$ 1,695,771	\$ -	\$ -	\$ -
Federal revenue	56,416	-	-	897,492
State revenue	309,974	268,943	68,875	123,840
Licenses and permits	5,730	-	-	-
Charges for services	558,799	-	-	101,127
Fines and forfeits	27,126	-	-	-
Interest	8,615	282	801	629
Rents and royalties	106,516	-	-	33,664
Other revenue	49,926	-	-	-
<b>Total revenues</b>	<b>2,818,873</b>	<b>269,225</b>	<b>69,676</b>	<b>1,156,752</b>
<b>Expenditures</b>				
Current				
Legislative	57,659	-	-	-
General government	496,635	-	-	-
Public safety	1,031,190	-	-	-
Public works	176,972	388,946	132,421	1,066,987
Health and welfare	182,065	-	-	-
Recreation and culture	836,269	-	-	-
Other expenditures	41,002	-	-	-
Debt service				
Principal	-	-	-	9,419
Interest	-	-	-	8,744
<b>Total expenditures</b>	<b>2,821,792</b>	<b>388,946</b>	<b>132,421</b>	<b>1,085,150</b>
<b>Revenues over (under) expenditures</b>	<b>(2,919)</b>	<b>(119,721)</b>	<b>(62,745)</b>	<b>71,602</b>
<b>Other financing sources (uses)</b>				
Transfers in	302,985	169,585	50,000	14,514
Transfers out	(85,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>217,985</b>	<b>169,585</b>	<b>50,000</b>	<b>14,514</b>
<b>Net change in fund balances</b>	<b>215,066</b>	<b>49,864</b>	<b>(12,745)</b>	<b>86,116</b>
Fund balances (deficits), beginning of year	440,295	48,503	83,320	20,164
<b>Fund balances (deficits), end of year</b>	<b>\$ 655,361</b>	<b>\$ 98,367</b>	<b>\$ 70,575</b>	<b>\$ 106,280</b>

<u>City Hall Improvements</u>	<u>Infrastructure Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 557,367	\$ -	\$ 2,253,138
-	-	-	953,908
-	213,729	-	985,361
-	-	-	5,730
-	-	5,775	665,701
-	-	-	27,126
4,417	800	14,773	30,317
-	-	12,692	152,872
-	-	36,856	86,782
<u>4,417</u>	<u>771,896</u>	<u>70,096</u>	<u>5,160,935</u>
-	-	-	57,659
829,226	114,427	10,633	1,450,921
-	-	-	1,031,190
-	-	125,599	1,890,925
-	-	-	182,065
-	-	2	836,271
-	-	-	41,002
-	-	-	9,419
-	-	-	8,744
<u>829,226</u>	<u>114,427</u>	<u>136,234</u>	<u>5,508,196</u>
<u>(824,809)</u>	<u>657,469</u>	<u>(66,138)</u>	<u>(347,261)</u>
309,420	-	76,000	922,504
-	(513,084)	(9,000)	(607,084)
<u>309,420</u>	<u>(513,084)</u>	<u>67,000</u>	<u>315,420</u>
<u>(515,389)</u>	<u>144,385</u>	<u>862</u>	<u>(31,841)</u>
178,476	(88,953)	700,930	1,382,735
<u>\$ (336,913)</u>	<u>\$ 55,432</u>	<u>\$ 701,792</u>	<u>\$ 1,350,894</u>

Continued...

**CITY OF CHARLEVOIX**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2005**

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**Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities**

**Net change in fund balances - total governmental funds** **\$ (31,841)**

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	2,305,312
Deduct - depreciation expense	(328,141)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	9,419
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Internal service funds are used by management to charge the costs of certain employee benefits and equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add - interest revenue from governmental internal service funds	2,358
Add - other revenue from governmental internal service funds	13,869
Add - gain on sale of capital asset	16,939
Add - net operating income of internal service funds charged to governmental activities	11,176
Deduct - internal activities (transfers) accounted for in internal service funds	(39,500)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Deduct - increase in compensated absences - sick	(71,035)
Add - decrease in accrued interest payable on bonds	24

<b>Change in net assets of governmental activities</b>	<b><u>\$ 1,888,580</u></b>
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Concluded

The accompanying notes are an integral part of these basic financial statements.

**CITY OF CHARLEVOIX**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

**MARCH 31, 2005**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Major Funds</b>			<b>Non-Major Fund</b>
	<b>Electric Utility</b>	<b>Sewage Disposal Utility</b>	<b>Water Utility</b>	<b>Marina</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ -	\$ 516,520	\$ 379,215	\$ 105,965
Investments	1,394,872	101,906	175,670	30,000
Accounts receivable	645,263	89,932	63,757	204
Interest receivable	20,164	1,206	4,841	60
Due from other funds	43,826	-	43,443	-
Inventory	263,684	-	37,811	-
<b>Total current assets</b>	<b>2,367,809</b>	<b>709,564</b>	<b>704,737</b>	<b>136,229</b>
<b>Noncurrent assets</b>				
Restricted cash and cash equivalents				
For customer deposits	58,327	-	-	-
Restricted investments				
For replacement	75,000	75,000	75,000	-
For redemption	358,943	-	-	-
Capital assets, net of accumulated depreciation	6,900,886	3,815,649	4,418,749	21,429
Advance to other funds	625,000	-	-	-
Notes receivable	-	9,257	-	-
Revenue bond discount	4,400	-	-	-
<b>Total noncurrent assets</b>	<b>8,022,556</b>	<b>3,899,906</b>	<b>4,493,749</b>	<b>21,429</b>
<b>Total assets</b>	<b>10,390,365</b>	<b>4,609,470</b>	<b>5,198,486</b>	<b>157,658</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	474,697	124,936	14,400	729
Accrued expenses	10,629	7,789	7,272	645
Due to other funds	43,443	-	-	-
<b>Total current liabilities</b>	<b>528,769</b>	<b>132,725</b>	<b>21,672</b>	<b>1,374</b>
<b>Current liabilities payable from restricted assets</b>				
Current portion of bonds payable	350,000	-	-	-
<b>Noncurrent liabilities</b>				
Compensated absences	-	-	-	-
<b>Total liabilities</b>	<b>878,769</b>	<b>132,725</b>	<b>21,672</b>	<b>1,374</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	6,550,886	3,815,649	4,418,749	21,429
Restricted for replacement and redemption	433,943	75,000	75,000	-
Unrestricted (deficit)	2,526,767	586,096	683,065	134,855
<b>Total net assets</b>	<b>\$ 9,511,596</b>	<b>\$ 4,476,745</b>	<b>\$ 5,176,814</b>	<b>\$ 156,284</b>

<u>Total</u>	<u>Internal Service Funds</u>
\$ 1,001,700	\$ 209,344
1,702,448	121,435
799,156	1,103
26,271	676
87,269	-
301,495	-
<b>3,918,339</b>	<b>332,558</b>
58,327	-
225,000	-
358,943	-
15,156,713	774,945
625,000	-
9,257	-
4,400	-
<b>16,437,640</b>	<b>774,945</b>
<b>20,355,979</b>	<b>1,107,503</b>
614,762	22,603
26,335	34,505
43,443	140,618
<b>684,540</b>	<b>197,726</b>
<b>350,000</b>	-
-	<b>147,385</b>
<b>1,034,540</b>	<b>345,111</b>
14,806,713	774,945
583,943	-
3,930,783	(12,553)
<b>\$ 19,321,439</b>	<b>\$ 762,392</b>

Continued...

**CITY OF CHARLEVOIX**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

**MARCH 31, 2005**

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**Reconciliation of net assets on the statement of net assets for proprietary funds to net assets of business-type activities on the statement of net assets**

<b>Net assets - total enterprise funds</b>	<b>\$ 19,321,439</b>
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Amounts reported for business-type activities in the statement of net assets are different because

An internal service fund is used by management to charge the costs of certain DPW site activities to individual proprietary funds. Assets and liabilities of this internal service fund are included in business-type activities in the statement of net assets.

Add - net assets of business-type activities accounted for in the internal service fund	1
Deduct - portion of internal service funds net operating income attributed to business-type funds	<u>(2,969)</u>

<b>Net assets of business-type activities</b>	<b><u>\$ 19,318,471</u></b>
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Concluded

The accompanying notes are an integral part of these basic financial statements.

# CITY OF CHARLEVOIX

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

FOR THE YEAR ENDED MARCH 31, 2005

	Business-type Activities - Enterprise Funds			
	Major Funds			Non-Major Fund
	Electric Utility	Sewage Disposal Utility	Water Utility	Marina
<b>Operating revenues</b>				
Charges for services	<u>\$ 5,068,444</u>	<u>\$ 906,250</u>	<u>\$ 680,744</u>	<u>\$ 216,773</u>
<b>Operating expenses</b>				
Purchased power	2,919,636	-	-	-
Personal services	574,908	393,328	384,147	101,121
Contractual services	163,172	177,220	68,510	9,368
Insurance	4,066	33,938	7,179	3,416
Building rental	42,000	19,400	19,400	-
Equipment rental	87,882	56,204	18,993	-
Supplies	52,050	44,942	42,414	6,794
Utilities	14,526	104,881	50,475	13,287
Repair and maintenance	25,972	49,409	25,425	-
Depreciation	670,918	179,165	178,741	7,000
Amortization	4,400	-	-	-
Miscellaneous	127,641	60,828	6,202	3,441
<b>Total operating expenses</b>	<u>4,687,171</u>	<u>1,119,315</u>	<u>801,486</u>	<u>144,427</u>
<b>Operating income (loss)</b>	<u>381,273</u>	<u>(213,065)</u>	<u>(120,742)</u>	<u>72,346</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenue	47,016	11,176	11,464	1,029
Other revenue	9,762	19,874	4,905	-
Interest expense	(42,297)	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>14,481</u>	<u>31,050</u>	<u>16,369</u>	<u>1,029</u>
<b>Income (loss) before transfers</b>	<u>395,754</u>	<u>(182,015)</u>	<u>(104,373)</u>	<u>73,375</u>
<b>Transfers</b>				
Transfers in	-	-	-	-
Transfers out	(136,500)	(6,100)	(6,200)	-
<b>Total transfers</b>	<u>(136,500)</u>	<u>(6,100)</u>	<u>(6,200)</u>	<u>-</u>
<b>Change in net assets</b>	<u>259,254</u>	<u>(188,115)</u>	<u>(110,573)</u>	<u>73,375</u>
Net assets, beginning of year	9,477,362	4,603,246	5,239,603	82,909
Prior period adjustment	(225,020)	61,614	47,784	-
Net assets, beginning of year, as restated	<u>9,252,342</u>	<u>4,664,860</u>	<u>5,287,387</u>	<u>82,909</u>
<b>Net assets, end of year</b>	<u>\$ 9,511,596</u>	<u>\$ 4,476,745</u>	<u>\$ 5,176,814</u>	<u>\$ 156,284</u>

<u>Total</u>	<u>Internal Service Funds</u>
<u>\$ 6,872,211</u>	<u>\$ 2,118,002</u>
2,919,636	-
1,453,504	1,609,750
418,270	96,820
48,599	-
80,800	-
163,079	-
146,200	49,820
183,169	11,004
100,806	54,416
1,035,824	154,940
4,400	-
198,112	3,329
<u>6,752,399</u>	<u>1,980,079</u>
<u>119,812</u>	<u>137,923</u>
70,685	6,387
34,541	13,869
(42,297)	-
<u>62,929</u>	<u>20,256</u>
<u>182,741</u>	<u>158,179</u>
-	25,200
(148,800)	(191,820)
<u>(148,800)</u>	<u>(166,620)</u>
<u>33,941</u>	<u>(8,441)</u>
19,403,120	753,894
(115,622)	-
19,287,498	753,894
<u>\$ 19,321,439</u>	<u>\$ 745,453</u>

Continued...



**CITY OF CHARLEVOIX**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES**  
**IN NET ASSETS - PROPRIETARY FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2005**

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**Reconciliation of the statement of revenues, expenses and changes in net assets of proprietary funds  
to the statement of activities**

<b>Change in net assets - all enterprise funds</b>	<b>\$ 33,941</b>
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An internal service fund is used by management to charge the costs of certain DPW site capital improvements to individual enterprise funds. The net revenue (expense) attributable to that fund is reported with business-type activities.

Add - interest revenue from business-type internal service fund	4,029
Add - net operating revenue of internal service funds charged to business-type funds	126,650
Deduct - internal activities (transfers) accounted for in business-type internal service fund	<u>(127,120)</u>

<b>Change in net assets of business-type activities</b>	<b><u>\$ 37,500</u></b>
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Concluded

The accompanying notes are an integral part of these basic financial statements.

**CITY OF CHARLEVOIX**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<b>Enterprise Funds</b>			
	<b>Major Funds</b>			<b>Non - Major Fund</b>
	<b>Electric Utility</b>	<b>Sewage Disposal Utility</b>	<b>Water Utility</b>	<b>Marina</b>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 5,008,455	\$ 976,907	\$ 704,364	\$ 216,626
Cash received from interfund services	-	-	-	-
Cash payments to employees	(574,866)	(391,422)	(382,707)	(101,080)
Cash payments to suppliers for goods and services	(3,261,549)	(497,585)	(232,718)	(36,119)
<b>Net cash provided by (used in) operating activities</b>	<b>1,172,040</b>	<b>87,900</b>	<b>88,939</b>	<b>79,427</b>
<b>Cash flows from non-capital financing activities</b>				
Collections on notes receivable	-	3,086	-	-
Miscellaneous income	9,762	19,874	4,905	-
Receipt of amounts due from other funds	209,217	-	-	-
Proceeds from amounts due to other funds	43,443	-	-	-
Repayment of amount due to other funds	-	-	-	-
Transfers in from other funds	-	-	-	-
Transfers out to other funds	(136,500)	(6,100)	(6,200)	-
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>125,922</b>	<b>16,860</b>	<b>(1,295)</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from the sale of capital assets	-	-	-	-
Purchase of capital assets	(740,423)	(49,333)	(50,671)	(1,249)
Bond principal payments	(350,000)	-	-	-
Bond interest payments	(37,897)	-	-	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(1,128,320)</b>	<b>(49,333)</b>	<b>(50,671)</b>	<b>(1,249)</b>
<b>Cash flows from investing activities</b>				
Proceeds from matured investments	-	-	-	-
Purchase of investments	(952,379)	(100,785)	(628)	(30,000)
Increase in amount due from other funds	-	-	(43,443)	-
Advance to other funds	(121,000)	-	-	-
Investment income	36,080	10,940	9,883	969
<b>Net cash provided by (used in) investing activities</b>	<b>(1,037,299)</b>	<b>(89,845)</b>	<b>(34,188)</b>	<b>(29,031)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(867,657)</b>	<b>(34,418)</b>	<b>2,785</b>	<b>49,147</b>
Cash and cash equivalents, beginning of year	925,984	550,938	376,430	56,818
<b>Cash and cash equivalents, end of year</b>	<b>\$ 58,327</b>	<b>\$ 516,520</b>	<b>\$ 379,215</b>	<b>\$ 105,965</b>

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<u>Total</u>	<u>Internal Service Funds</u>
\$ 6,906,352	\$ -
-	2,119,334
(1,450,075)	(1,591,921)
<u>(4,027,971)</u>	<u>(237,366)</u>
<b><u>1,428,306</u></b>	<b><u>290,047</u></b>
3,086	-
34,541	13,869
209,217	-
43,443	-
-	(61,405)
-	25,200
<u>(148,800)</u>	<u>(191,820)</u>
<b><u>141,487</u></b>	<b><u>(214,156)</u></b>
-	87,439
(841,676)	(165,650)
(350,000)	-
<u>(37,897)</u>	<u>-</u>
<b><u>(1,229,573)</u></b>	<b><u>(78,211)</u></b>
-	50,000
(1,083,792)	(71,099)
(43,443)	-
(121,000)	-
<u>57,872</u>	<u>6,924</u>
<b><u>(1,190,363)</u></b>	<b><u>(14,175)</u></b>
<b><u>(850,143)</u></b>	<b><u>(16,495)</u></b>
<u>1,910,170</u>	<u>225,839</u>
<b><u>\$ 1,060,027</u></b>	<b><u>\$ 209,344</u></b>

Continued...

**CITY OF CHARLEVOIX**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	Enterprise Funds			
	Major Funds			Non-Major Fund
	Electric Utility	Sewage Disposal Utility	Water Utility	Marina
<b>Reconciliation to statement of net assets</b>				
Cash and cash equivalents	\$ -	\$ 516,520	\$ 379,215	\$ 105,965
Restricted cash and cash equivalents	58,327	-	-	-
<b>Cash and cash equivalents, end of year</b>	<b>\$ 58,327</b>	<b>\$ 516,520</b>	<b>\$ 379,215</b>	<b>\$ 105,965</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 381,273	\$ (213,065)	\$ (120,742)	\$ 72,346
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	670,918	179,165	178,741	7,000
Gain on sale of capital assets	-	-	-	-
Changes in assets and liabilities				
Accounts receivable	(59,989)	70,657	23,620	(147)
Inventory	86,325	-	(892)	-
Accounts payable	93,471	49,237	6,772	187
Accrued expenses	42	1,906	1,440	41
Accrued compensated absences	-	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,172,040</b>	<b>\$ 87,900</b>	<b>\$ 88,939</b>	<b>\$ 79,427</b>

The accompanying notes are an integral part of these basic financial statements.

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<u>Total</u>	<u>Internal Service Fund</u>
\$ 1,001,700	\$ 209,344
58,327	-
<u><b>\$ 1,060,027</b></u>	<u><b>\$ 209,344</b></u>

\$ 119,812	\$ 137,923
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1,035,824	154,940
-	(16,939)
34,141	1,332
85,433	2,564
149,667	(7,602)
3,429	18,878
-	(1,049)
<u><b>\$ 1,428,306</b></u>	<u><b>\$ 290,047</b></u>

Concluded

# CITY OF CHARLEVOIX

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
<b>Taxes</b>				
Property taxes	\$ 1,695,900	\$ 1,660,754	\$ 1,666,095	\$ 5,341
Payments in lieu of taxes	2,100	2,062	2,345	283
Interest and penalties on delinquent taxes	10,500	10,500	6,468	(4,032)
Tax collection fees	20,000	20,860	20,863	3
<b>Total taxes</b>	<b>1,728,500</b>	<b>1,694,176</b>	<b>1,695,771</b>	<b>1,595</b>
<b>Federal revenue</b>	<b>-</b>	<b>56,416</b>	<b>56,416</b>	<b>-</b>
<b>State revenue</b>	<b>276,500</b>	<b>328,130</b>	<b>309,974</b>	<b>(18,156)</b>
<b>Licenses and permits</b>	<b>8,500</b>	<b>6,465</b>	<b>5,730</b>	<b>(735)</b>
<b>Charges for services</b>				
Fire runs	60,200	57,896	57,896	-
Ambulance runs	142,800	140,000	122,515	(17,485)
Ambulance contracts	36,100	34,818	34,818	-
Charges for services - other	8,900	3,756	3,648	(108)
Cemetery	43,200	36,000	21,230	(14,770)
Golf course	184,400	181,775	181,825	50
Summer sports	12,000	9,936	9,936	-
Day camp	45,400	44,430	44,710	280
Winter sports	68,000	65,000	53,147	(11,853)
Basketball	6,000	5,058	4,960	(98)
Skate park	11,700	829	829	-
Parking	23,800	23,285	23,285	-
<b>Total charges for services</b>	<b>642,500</b>	<b>602,783</b>	<b>558,799</b>	<b>(43,984)</b>
<b>Fine and forfeits</b>	<b>27,600</b>	<b>26,518</b>	<b>27,126</b>	<b>608</b>
<b>Interest and dividends</b>	<b>9,000</b>	<b>5,230</b>	<b>8,615</b>	<b>3,385</b>
<b>Rents and royalties</b>				
Harbor building	1,200	1,200	1,200	-
City hall	82,300	80,700	81,437	737
Boat launch	24,000	24,005	23,879	(126)
<b>Total rents and royalties</b>	<b>107,500</b>	<b>105,905</b>	<b>106,516</b>	<b>611</b>
<b>Other revenues</b>	<b>4,900</b>	<b>36,703</b>	<b>49,926</b>	<b>13,223</b>
<b>Total revenues</b>	<b>2,805,000</b>	<b>2,862,326</b>	<b>2,818,873</b>	<b>(43,453)</b>

Continued...

# CITY OF CHARLEVOIX

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2005

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Legislative</b>				
City council	\$ 51,000	\$ 54,236	\$ 57,659	\$ 3,423
<b>General government</b>				
Mayor	12,900	9,281	8,971	(310)
City manager	65,300	51,239	55,952	4,713
Elections	18,100	10,248	12,739	2,491
Assessor	61,400	103,892	104,771	879
City attorney	77,500	72,268	77,933	5,665
City clerk	29,400	25,425	24,581	(844)
City treasurer	82,200	42,129	43,003	874
City hall and grounds	63,900	53,247	60,920	7,673
Cemetery	78,000	97,655	107,765	10,110
<b>Total general government</b>	<b>488,700</b>	<b>465,384</b>	<b>496,635</b>	<b>31,251</b>
<b>Public safety</b>				
Police department	612,600	547,329	607,205	59,876
Parking law enforcement	13,000	11,902	11,024	(878)
Fire department	276,200	323,724	332,283	8,559
Planning department	62,700	101,382	80,678	(20,704)
<b>Total public safety</b>	<b>964,500</b>	<b>984,337</b>	<b>1,031,190</b>	<b>46,853</b>
<b>Public works</b>				
Highways and streets	27,400	26,895	26,577	(318)
Leaf pick up	87,100	97,023	104,875	7,852
Waste collection	20,700	22,300	23,628	1,328
Brush pickup	23,000	22,000	21,892	(108)
<b>Total public works</b>	<b>158,200</b>	<b>168,218</b>	<b>176,972</b>	<b>8,754</b>

Continued...

# CITY OF CHARLEVOIX

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2005

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Health and welfare</b>				
Ambulance	\$ 193,500	\$ 178,069	\$ 182,065	\$ 3,996
<b>Recreation and culture</b>				
Parks	234,400	210,967	220,433	9,466
Recreation administration	39,200	38,062	42,338	4,276
City beaches	64,400	58,349	51,746	(6,603)
Ball fields	36,000	23,397	23,417	20
Day camp	48,100	40,340	37,460	(2,880)
Ice rink	13,300	12,951	7,802	(5,149)
Mt. McSaubia ski hill	161,900	128,734	122,148	(6,586)
Basketball and volleyball	9,200	5,758	4,044	(1,714)
Skate park	17,400	731	731	-
Golf course	298,600	388,894	289,464	(99,430)
Boat launch	19,100	17,890	16,983	(907)
Community promotion	20,600	20,743	19,703	(1,040)
<b>Total recreation and culture</b>	<b>962,200</b>	<b>946,816</b>	<b>836,269</b>	<b>(110,547)</b>
<b>Other expenditures</b>	<b>171,500</b>	<b>50,618</b>	<b>41,002</b>	<b>(9,616)</b>
<b>Total expenditures</b>	<b>2,989,600</b>	<b>2,847,678</b>	<b>2,821,792</b>	<b>(25,886)</b>
<b>Revenues over (under) expenditures</b>	<b>(184,600)</b>	<b>14,648</b>	<b>(2,919)</b>	<b>11,729</b>
<b>Other financing sources (uses)</b>				
Transfers in	172,500	276,300	302,985	26,685
Transfers out	(110,000)	(126,029)	(85,000)	(41,029)
<b>Total other financing sources (uses)</b>	<b>62,500</b>	<b>150,271</b>	<b>217,985</b>	<b>(67,714)</b>
<b>Net change in fund balance</b>	<b>(122,100)</b>	<b>164,919</b>	<b>215,066</b>	<b>(50,147)</b>
Fund balance, beginning of year	440,295	440,295	440,295	-
<b>Fund balance, end of year</b>	<b>\$ 318,195</b>	<b>\$ 605,214</b>	<b>\$ 655,361</b>	<b>\$ (50,147)</b>

Concluded

The accompanying notes are an integral part of these basic financial statements.



# CITY OF CHARLEVOIX

## STATEMENT OF REVENUES, EXPENDITURES AND CHARGES IN FUND BALANCE - BUDGET AND ACTUAL MAJOR STREETS FUND

FOR THE YEAR ENDED MARCH 31, 2005

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
<b>Revenues</b>				
State revenue	\$ 229,800	\$ 228,341	\$ 268,943	\$ 40,602
Interest	300	100	282	182
<b>Total revenues</b>	<b>230,100</b>	<b>228,441</b>	<b>269,225</b>	<b>40,784</b>
<b>Expenditures</b>				
Public works - Highways and streets	220,700	385,890	388,946	3,056
<b>Revenues over (under) expenditures</b>	<b>9,400</b>	<b>(157,449)</b>	<b>(119,721)</b>	<b>37,728</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	170,223	169,585	(638)
Transfers out	1,900	(5,427)	-	(5,427)
<b>Total other financing sources (uses)</b>	<b>1,900</b>	<b>164,796</b>	<b>169,585</b>	<b>4,789</b>
<b>Net change in fund balance</b>	<b>11,300</b>	<b>7,347</b>	<b>49,864</b>	<b>(42,517)</b>
Fund balance, beginning of year	48,503	48,503	48,503	-
<b>Fund balance, end of year</b>	<b>\$ 59,803</b>	<b>\$ 55,850</b>	<b>\$ 98,367</b>	<b>\$ (42,517)</b>

The accompanying notes are an integral part of these basic financial statements.

**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**LOCAL STREETS FUND**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
State revenue	\$ 70,400	\$ 65,600	\$ 68,875	\$ 3,275
Interest	800	100	801	701
<b>Total revenues</b>	<b>71,200</b>	<b>65,700</b>	<b>69,676</b>	<b>3,976</b>
<b>Expenditures</b>				
Public works - Highways and streets	149,200	144,620	132,421	(12,199)
<b>Revenues over (under) expenditures</b>	<b>(78,000)</b>	<b>(78,920)</b>	<b>(62,745)</b>	<b>16,175</b>
<b>Other financing sources (uses)</b>				
Transfers in	85,000	50,000	50,000	-
Transfers out	-	(2,619)	-	(2,619)
<b>Total other financing sources (uses)</b>	<b>85,000</b>	<b>47,381</b>	<b>50,000</b>	<b>2,619</b>
<b>Net change in fund balance</b>	<b>7,000</b>	<b>(31,539)</b>	<b>(12,745)</b>	<b>(18,794)</b>
Fund balance, beginning of year	83,320	83,320	83,320	-
<b>Fund balance, end of year</b>	<b>\$ 90,320</b>	<b>\$ 51,781</b>	<b>\$ 70,575</b>	<b>\$ (18,794)</b>

The accompanying notes are an integral part of these basic financial statements.

**CITY OF CHARLEVOIX**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**AIRPORT FUND**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<b>Budgeted Amounts</b>			<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues</b>				
Federal revenue	\$ 1,905,200	\$ -	\$ 897,492	\$ 897,492
State revenue	-	100,000	123,840	23,840
Charges for services	92,200	88,380	101,127	12,747
Interest	1,600	175	629	454
Rents and royalties	45,000	41,800	33,664	(8,136)
<b>Total revenues</b>	<b>2,044,000</b>	<b>230,355</b>	<b>1,156,752</b>	<b>926,397</b>
<b>Expenditures</b>				
Public works	2,080,300	162,979	1,066,987	904,008
Debt service				
Principal	18,300	9,419	9,419	-
Interest and fiscal charges	12,100	8,744	8,744	-
<b>Total expenditures</b>	<b>2,110,700</b>	<b>181,142</b>	<b>1,085,150</b>	<b>904,008</b>
<b>Revenues over (under) expenditures</b>	<b>(66,700)</b>	<b>49,213</b>	<b>71,602</b>	<b>22,389</b>
<b>Other financing sources (uses)</b>				
Transfers in	25,000	14,514	14,514	-
Transfers out	-	(1,248)	-	(1,248)
<b>Total other financing sources (uses)</b>	<b>25,000</b>	<b>13,266</b>	<b>14,514</b>	<b>1,248</b>
<b>Net change in fund balance</b>	<b>(41,700)</b>	<b>62,479</b>	<b>86,116</b>	<b>(23,637)</b>
Fund balance, beginning of year	20,164	20,164	20,164	-
<b>Fund balance, end of year</b>	<b>\$ (21,536)</b>	<b>\$ 82,643</b>	<b>\$ 106,280</b>	<b>\$ (23,637)</b>

The accompanying notes are an integral part of these basic financial statements.

**CITY OF CHARLEVOIX**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
**CURRENT TAX COLLECTION FUND**  
**MARCH 31, 2005**

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<b>Assets</b>	
Cash and cash equivalents	<u><u>\$        94,195</u></u>
<b>Liabilities</b>	
Undistributed receipts	<u><u>\$        94,195</u></u>

The accompanying notes are an integral part of these basic financial statements.

**CITY OF CHARLEVOIX**  
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**MARCH 31, 2005**

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# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

The **City of Charlevoix** (the “City”) was incorporated in 1905 and adopted a Home Rule Charter in April 1978 under Act 279, P.A. 1909 as amended (Home Rule City Act). The City government is directed by a six-member City Council and a Mayor elected by the community at large. This legislative body appoints a City Manager to administer the affairs of the City. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, electricity, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

***Discretely presented component unit.*** The Charlevoix Downtown Development Authority (DDA) is responsible for certain projects and activities whose purpose is to revitalize the downtown business district. The members of the DDA’s governing board are appointed the Mayor of the City. The City also has the ability to significantly influence the operations of the DDA. A complete financial statement of the Downtown Development Authority can be obtained from the City Treasurer at the City of Charlevoix, 210 State Street, Charlevoix, MI 49720.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

---

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Streets Fund* accounts for the use of motor fuel taxes and trunkline maintenance funds, which are earmarked by state statute for major street and highway purposes.

The *Local Streets Fund* accounts for the use of motor fuel taxes, which are earmarked by state statute for local street and highway purposes.

The *Airport Fund* accounts for revenue sources that are legally restricted to expenditures for the Airport.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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The *City Hall Improvements Fund* is used to account for the major renovation project underway at City Hall; the project is expected to be completed in August 2005.

The *Infrastructure Improvements Fund* accounts for use of property taxes, which are used for capital improvements throughout the City.

The government reports the following major proprietary funds:

The *Electric Utility Fund* accounts for the activities of the government's electrical utility system.

The *Sewage Disposal Utility Fund* accounts for the activities of the government's sewage disposal and treatment system.

The *Water Utility Fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the government reports the following fund types:

The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The *Permanent Fund* accounts for the perpetual care portion of the fee collected from the sale of cemetery lots. These monies are accumulating until such a time when they become adequate to be used to support cemetery operations.

The *Enterprise Fund* accounts for the activities of the government's marina.

The *Internal Service Funds* account for fleet and equipment management, employee fringe benefits, and construction of the DPW building provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

The *Agency Fund* accounts for assets held for other governments in an agency capacity, specifically tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.



# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water, sewage disposal, and electric function, cost of building rent and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, sewage disposal and water enterprise funds and of the government's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

### **D. Assets, liabilities and net assets or equity**

#### ***1. Deposits and investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

#### ***2. Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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Advances between funds, as reported in the fund financial statements, are generally offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

### ***3. Restricted assets***

Certain proceeds of the Electric Enterprise Fund Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted cash and cash equivalents and restricted investments on the statement of net assets because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements and customer deposits payable.

### ***4. Inventory***

Inventory held by the enterprise funds are valued at cost on the first-in, first-out basis. Inventory of expendable supplies in other funds have not been recorded and the amount of any such inventories is not considered material. The cost value of such inventories has been treated as an expenditure at the time of purchase.

### ***5. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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Capital assets of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Land improvements	20-30
System infrastructure	50
Equipment	5-10
Vehicles	7-25
Public domain infrastructure	50

### **6. *Compensated absences***

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 50 percent of sick leave up to 40 days for employees within the Communications Workers of America union and fourteen days for the Fraternal Order of Police union and non-union employees are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in government-wide and proprietary funds; otherwise, total accumulated and unused vacation time is reported as a liability in the employees fringe benefit internal service fund as a result of employee resignations or retirements.

### **7. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **8. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

On or before the third Monday in January of each year, the City Manager must present the proposed budget to the government's council for review. The City Council holds public hearings and a final budget must be prepared and adopted no later than the third Monday in February.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing board is the function level, which is the level at which expenditures may not legally exceed appropriations. The City Manager may make transfers of appropriations between departments within any funds; however any supplemental appropriations that amend the total expenditures of any fund require City Council resolution.

#### B. Excess of expenditures over appropriations

	<b><u>Final</u></b>		
	<b><u>Appropriation</u></b>	<b><u>Expenditures</u></b>	<b><u>Variance</u></b>
<b>General Fund</b>			
Legislative	\$ 54,236	\$ 57,659	\$ 3,423
General government	465,384	496,634	31,251
Public safety	984,337	1,031,190	46,853
Public works	168,218	176,972	8,754
Health and welfare	178,069	182,065	3,996
<b>Major Streets</b>			
Public works – Highways and streets	385,890	388,946	3,056
<b>Airport</b>			
Public works	162,979	1,066,987	904,008

# **CITY OF CHARLEVOIX**

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **C. Deficit fund balance**

The costs of the city hall renovations have exceeded the revenues generated for the project resulting in a deficit fund balance at year end of \$336,913 in the City Hall Improvements Capital Projects Fund. Rather than issuing bonds and incurring the related costs, the Electric Utility Enterprise Fund advanced \$504,000 in fiscal 2004 and \$121,000 in fiscal 2005 to provide funds for construction costs. The City plans to transfer future amounts budgeted for improvements into the City Hall Improvements Capital Projects Fund until such time that the advance has been repaid and the deficit fund balance is eliminated.

## **III. DETAILED NOTES ON ALL FUNDS**

### **A. Deposits and investments**

Michigan Compiled Laws, Section 129.91 authorizes the local government unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Council has designated eight banks, a Federal credit union and three pooled cash options for the deposit of City funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, interest bearing savings and checking accounts, repurchase agreements, bankers' acceptance of United States banks, federal agency instruments, money market funds with a net asset value of a \$1 per share, commercial paper within the two highest classifications and negotiable and non-negotiable certificates of deposits, but not the remainder of State statutory authority as listed above.

The City's deposits and investment policy are in accordance with statutory authority.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

Cash and cash equivalents, investments and restricted assets are reported in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,479,473	\$ 1,001,700	\$ 395,311	\$ 2,876,484
Investments	743,298	1,702,448	360,000	2,805,746
Restricted Cash	-	58,327	-	58,327
Restricted investments	-	583,943	-	583,943
<b>Total Statement of Net Assets</b>	<b><u>\$ 2,222,771</u></b>	<b><u>\$ 3,346,418</u></b>	<b><u>\$ 755,311</u></b>	

### Statement of Fiduciary Net Assets

Cash and cash equivalents	<u>94,195</u>
<b>Total</b>	<b><u>\$ 6,418,695</u></b>

The bank balance of the government's deposits including the component unit is \$6,416,214. Of the bank balance, \$600,000 was covered by federal depository insurance. The remaining balance of \$5,816,214 was uninsured and uncollateralized.

### B. Receivables

Receivables in the governmental activities consist of 44 percent due from other governments, 2 percent interest receivable, 25 percent taxes receivable and 29 percent accounts receivable. Receivables in the business-type activities consist of 3 percent interest receivable, 1 percent note receivable and 96 percent due from customers. Receivables in the component unit consist of 68 percent taxes receivable and 32 percent interest receivable.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

### C. Capital assets

Capital assets activity for the year ended March 31, 2005 was as follows:

#### Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>					
Capital assets not being depreciated					
Land	\$16,953,529	\$ -	\$ -	\$ -	\$16,953,529
Construction-in-process	<u>1,745,815</u>	<u>791,083</u>	<u>(1,745,815)</u>	<u>-</u>	<u>791,083</u>
Total capital assets not being depreciated	<u>18,699,344</u>	<u>791,083</u>	<u>(1,745,815)</u>	<u>-</u>	<u>17,744,612</u>
Capital assets being depreciated					
Land improvements	3,222,054	478,860	-	-	3,700,914
Infrastructure	356,354	207,730	-	-	564,084
Buildings and improvements	4,635,052	555,201	1,745,815	-	6,936,068
Machinery and equipment	1,328,010	193,585	-	(87,900)	1,433,695
Engineering equipment	16,270	30,914	-	-	47,184
Furniture and equipment	187,493	12,746	-	-	200,239
Vehicles	<u>1,893,665</u>	<u>200,843</u>	<u>-</u>	<u>(20,561)</u>	<u>2,073,947</u>
Total capital assets being depreciated	<u>11,638,898</u>	<u>1,679,879</u>	<u>1,745,815</u>	<u>(108,461)</u>	<u>14,956,131</u>
Less accumulated depreciation for					
Land improvements	(1,204,167)	(96,816)	-	-	(1,300,983)
Infrastructure	(10,952)	(9,877)	-	-	(20,829)
Buildings and improvements	(2,417,737)	(125,203)	-	-	(2,542,940)
Machinery and equipment	(932,781)	(94,199)	-	35,720	(991,260)
Engineering equipment	(12,245)	(7,476)	-	-	(19,721)
Furniture and equipment	(145,576)	(16,427)	-	-	(162,003)
Vehicles	<u>(1,297,235)</u>	<u>(121,503)</u>	<u>-</u>	<u>19,180</u>	<u>(1,399,558)</u>
Total accumulated depreciation	<u>(6,020,693)</u>	<u>(471,501)</u>	<u>-</u>	<u>54,900</u>	<u>(6,437,294)</u>
Total capital assets being depreciated, net of depreciation	<u>5,618,205</u>	<u>1,208,378</u>	<u>1,745,815</u>	<u>(53,561)</u>	<u>8,518,837</u>
<b>Governmental activities capital assets, net of depreciation</b>	<b><u>\$24,317,549</u></b>	<b><u>\$ 1,999,461</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (53,561)</u></b>	<b><u>\$26,263,449</u></b>

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>					
Capital assets not being depreciated – land	\$ 609,468	\$ -	\$ -	\$ -	\$ 609,468
Capital assets being depreciated					
Land improvements	763,230	-	-	-	763,230
Buildings and improvements	6,494,440	-	-	-	6,494,440
System improvements	19,266,979	733,535	-	-	20,000,514
Equipment	<u>924,162</u>	<u>108,141</u>	<u>-</u>	<u>(3,409)</u>	<u>1,028,894</u>
Total capital assets being depreciated	<u>27,448,811</u>	<u>841,676</u>	<u>-</u>	<u>(3,409)</u>	<u>28,287,078</u>
Less accumulated depreciation for					
Land improvements	(170,822)	(31,714)	-	-	(202,536)
Buildings and improvements	(3,367,368)	(176,445)	-	-	(3,543,813)
System improvements	(8,345,677)	(759,507)	-	-	(9,105,184)
Equipment	<u>(671,352)</u>	<u>(79,738)</u>	<u>-</u>	<u>3,409</u>	<u>(747,681)</u>
Total accumulated depreciation	<u>(12,555,219)</u>	<u>(1,047,404)</u>	<u>-</u>	<u>3,409</u>	<u>(13,599,214)</u>
Total capital assets being depreciated, net of depreciation	<u>14,893,592</u>	<u>(205,728)</u>	<u>-</u>	<u>-</u>	<u>14,687,864</u>
<b>Business-type activities capital assets, net of depreciation</b>	<b><u>\$15,503,060</u></b>	<b><u>\$ (205,728)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$15,297,332</u></b>

### Component Unit

Capital assets not being depreciated – land	\$ 1,413,413	\$ -	\$ -	\$ (490,342)	\$ 923,071
Capital assets being depreciated					
Land improvements	2,224,297	11,900	-	-	2,236,197
Buildings and improvements	3,921,526	-	-	-	3,921,526
Machinery and equipment	2,000	-	-	-	2,000
Engineering equipment	31,347	-	-	-	31,347
Furniture and equipment	<u>3,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,400</u>
Total capital assets being depreciated	<u>6,182,570</u>	<u>11,900</u>	<u>-</u>	<u>-</u>	<u>6,194,470</u>



# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for					
Land improvements	\$ (549,343)	\$ (77,925)	\$ -	\$ -	\$ (627,268)
Buildings and improvements	(955,903)	(101,442)	-	-	(1,057,345)
Machinery and equipment	(2,000)	(240)	-	-	(2,240)
Engineering equipment	(10,734)	(2,603)	-	-	(13,337)
Furniture and equipment	<u>(1,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,240)</u>
Total accumulated depreciation	<u>(1,519,220)</u>	<u>(182,210)</u>	<u>-</u>	<u>-</u>	<u>(1,701,430)</u>
Total capital assets being depreciated, net of depreciation	<u>4,663,350</u>	<u>(170,310)</u>	<u>-</u>	<u>-</u>	<u>4,493,040</u>
<b>Component unit capital assets, net of depreciation</b>	<b><u>\$ 6,076,763</u></b>	<b><u>\$ (170,310)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (490,342)</u></b>	<b><u>\$ 5,416,111</u></b>

Depreciation expense was charged to functions/programs of the primary government as follows:

### Governmental activities

City council	\$ 400
General government	79,549
Public safety	65,175
Public works, including depreciation of general infrastructure assets	89,579
Health and welfare	262
Recreation and culture	93,176
Capital assets held by the governmental activity	
Internal Service Funds are charged to the various functions based on their usage of the assets	<u>143,360</u>

**Total depreciation expense – governmental activities** **\$ 471,501**

### Business-type activities

Electric	\$ 670,918
Sewage disposal	179,165
Water	178,741
Marina	7,000
Capital assets held by the business-type activity	
Internal Service Fund are charged to the various functions based on their usage of the assets	<u>11,580</u>

**Total depreciation expense – business-type activities** **\$1,047,404**

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

### D. Payables

Governmental activities, business-type activities and component unit accounts payable are composed entirely of amounts due to vendors.

### E. Interfund receivables, payables and transfers

The Electric Utility Enterprise Fund advanced an additional \$121,000 to the City Hall Improvements Fund during the year ended March 31, 2005 for the purpose of assisting in the City Hall renovation project, for a total advance of \$625,000. The advance is to be repaid over three years with interest charged at current earned market rate.

The composition of interfund balances is as follows:

<u>Due from</u>	<u>Due To</u>			<u>Total</u>
	<u>City Hall Improvements</u>	<u>Electric Utility</u>	<u>Water Utility</u>	
Internal Service	\$ 140,618	\$ -	\$ -	\$ 140,618
Electric Fund	-	-	43,443	43,443
Nonmajor governmental funds	-	43,826	-	43,826
<b>Total</b>	<b><u>\$ 140,618</u></b>	<b><u>\$ 43,826</u></b>	<b><u>\$ 43,443</u></b>	<b><u>\$ 227,887</u></b>

Interfund receivables and payables are established to cover temporary cash deficits.

<u>Transfers in</u>	<u>Transfers out</u>			<u>Subtotal Transfers In</u>
	<u>General Fund</u>	<u>Infrastructure Improvements</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 293,985	\$ 9,000	\$ 302,985
Major Streets	25,000	144,585	-	169,585
Local Streets	50,000	-	-	50,000
Airport	-	14,514	-	14,514
City Hall Improvements	10,000	60,000	-	70,000
<b>Subtotal transfers out</b>	<b><u>\$ 85,000</u></b>	<b><u>\$ 513,084</u></b>	<b><u>\$ 9,000</u></b>	<b><u>\$ 607,084</u></b>

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

<u>Transfers in</u>	<u>Transfers out</u>				<u>Subtotal Transfers In</u>
	<u>Electrical Fund</u>	<u>Sewage Disposal Utility</u>	<u>Water Utility</u>	<u>Internal Service Funds</u>	
City Hall Improvements	\$ 126,500	\$ 6,100	\$ 6,200	\$ 100,620	\$ 239,420
Nonmajor					
governmental funds	-	-	-	76,000	76,000
Internal Service Funds	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>15,200</u>	<u>25,200</u>
<b>Subtotal transfers out</b>	<b><u>\$ 136,500</u></b>	<b><u>\$ 6,100</u></b>	<b><u>\$ 6,200</u></b>	<b><u>\$ 191,820</u></b>	<b><u>\$ 340,620</u></b>

Transfers in/out totaled \$947,704 for the year ended March 31, 2005.

Interfund transfers are: (1) to transfer funds from Infrastructure Improvement to the General Fund to supplement budgeted revenues (2) to transfer available funds to the City Hall Improvements Capital Projects Fund to cover costs of the city hall renovation project (3) to use accumulated infrastructure improvement funds on the storm sewer project recorded in the Major Street Fund and (4) to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### F. Long-term debt

**General obligation bonds.** The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued by the DDA discrete component unit.

**Installment purchases.** The primary government's and component unit's Public Act 99 installment purchase agreements are also general obligations of the City. The original amount of the primary government's installment purchase agreement was \$180,000 and the component unit's installment purchase agreement was \$1,500,000. In 2004, the DDA component unit entered into a Public Act 99 installment purchase agreement for \$635,000 to purchase the old middle school property.

General obligation bonds and installment purchase agreements are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 15 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds and installment purchase agreements currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental Activities</b>		
General government – installment purchase	5.625%	<b><u>\$ 146,030</u></b>

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Component Unit – Downtown Development Authority</b>		
General government – general obligation refunding bond	2.0 – 3.5%	\$ 2,290,000
General government – installment purchase	4.3% - 4.8%	<u>800,431</u>
		<b><u>\$ 3,090,431</u></b>

Annual debt service requirements to maturity for general obligation bonds and installment purchase agreements are as follows:

<u>Year Ending March 31,</u>	<u>Governmental Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 9,950	\$ 8,214	\$ 349,347	\$ 81,660
2007	10,508	7,655	349,347	73,782
2008	11,099	7,064	354,347	65,901
2009	11,723	6,439	359,347	57,924
2010	12,382	5,780	364,347	49,109
2011-2015	73,177	17,635	1,313,696	96,769
2016-2018	<u>17,191</u>	<u>967</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 146,030</u></b>	<b><u>\$ 53,754</u></b>	<b><u>\$3,090,431</u></b>	<b><u>\$ 425,145</u></b>

**Revenue bonds.** The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years for the item listed below was \$3,300,000. No revenue bonds were issued during the current year. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Electric supply system</b>	<b>5% - 10%</b>	<b><u>\$ 350,000</u></b>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>
<b>2006</b>	<b><u>\$ 350,000</u></b>	<b><u>\$ 17,500</u></b>

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

**Changes in long-term debt.** Long-term liability activity for the year ended March 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Primary Government</u></b>					
<b>Governmental activities</b>					
Installment purchase agreements	\$ 155,449	\$ -	\$ 9,419	\$ 146,030	\$ 9,950
Compensated absences – sick	-	71,035	-	71,035	3,654
Compensated absences – vacation	<u>148,434</u>	<u>-</u>	<u>1,049</u>	<u>147,385</u>	<u>8,635</u>
	<b><u>\$ 303,883</u></b>	<b><u>\$ 71,035</u></b>	<b><u>\$ 10,468</u></b>	<b><u>\$ 364,450</u></b>	<b><u>\$ 22,239</u></b>
<b>Business-type activities</b>					
Revenue bonds	<b><u>\$ 700,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 350,000</u></b>	<b><u>\$ 350,000</u></b>	<b><u>\$ 350,000</u></b>
<b><u>Component unit</u></b>					
General obligation bonds	\$2,490,000	\$ -	\$ 200,000	\$2,290,000	\$ 235,000
Installment purchase agreements	<u>1,435,431</u>	<u>-</u>	<u>635,000</u>	<u>800,431</u>	<u>114,347</u>
	<b><u>\$3,925,431</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 835,000</u></b>	<b><u>\$3,090,431</u></b>	<b><u>\$ 349,347</u></b>

Compensated absences in governmental activities are generally liquidated by the Employee Fringe Benefits internal service fund.

### G. Segment information - enterprise funds

The government issued revenue bonds to finance certain improvements to its electrical supply system. Because the Electric Utility Fund, an individual fund that accounts entirely for the government's electrical distribution, is a segment and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

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### H. Operating lease and commitment

The City has entered into an operating lease agreement with the Beaver Island Boat Company ("BIBCO"). BIBCO rents dock space and office space from the City. Both parties have agreed to a 5-year rental agreement, which BIBCO has a conditional right of renewal it may exercise five times. The City has also signed a \$30,000 promissory note payable to BIBCO in the event the City elects to terminate the rental agreement before 2028. Also, if the City were to terminate this agreement before 2028, then it would be liable to BIBCO for the balance on BIBCO's note for the construction of a new storage building, which approximates \$68,000 as of March 31, 2005. Projected operating lease proceeds through the year ended 2028 are as follows:

<u>Year Ended March 31,</u>	<u>Amount</u>
2006	\$ 17,561
2007	18,268
2008	19,001
2009	19,759
2010	20,543
2011-2015	115,481
2016-2020	139,650
2021-2025	180,871
2026-2028	<u>135,767</u>
	<u><b>\$ 666,901</b></u>

## IV. OTHER INFORMATION

### A. Risk management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. During the year ended March 31, 2005, the government carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

### B. Property taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Charlevoix County.

# **CITY OF CHARLEVOIX**

## **NOTES TO THE FINANCIAL STATEMENTS**

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Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50 percent of current market value. Real and personal property in the City for the 2004 levy were assessed and equalized at \$196,449,163 (not including properties subject to Industrial Facilities Tax exemption), representing 50 percent of estimated current market value. The government's general operating tax rate for fiscal year 2004-05 was 8.5 mills, with an additional 3.0364 mills levied for infrastructure improvements and an additional .61 mills levied for refuse.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Charlevoix, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

### **C. Commitment**

The City entered into an agreement with Petrie Construction on March 17, 2003 to renovate city hall in the amount of \$2,073,109, with related change orders through March 31, 2005 totaling \$156,406. Total project costs are estimated to be \$3,038,000, as of March 31, 2005; as of March 31, 2005 \$2,574,000 has been reported as construction-in-progress for the project. The estimated completion date is August 2005.

### **D. Defined benefit pension plan**

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, MI 48917 or by calling (800) 767-6377.

### **Funding Policy**

The City is required to contribute at an actuarially determined rate; the current rate is 5.8683% of annual covered payroll. Communication Workers of America affiliated City employees are required to contribute 3% of their annual covered payroll. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adopted by the City.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

### Annual Pension Cost

For the year ended March 31, 2005 the City's annual pension cost of \$211,482 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit and (c) projected salary increases of 4.5% per year, compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the last actuarial valuation, was 30 years.

### Three-year Trend Information

<b><u>Fiscal Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
3/31/03	\$ 198,097	100%	\$ -
3/31/04	213,511	100%	-
3/31/05	211,482	100%	-

### Schedule of Funding Progress

<b><u>Actuarial Valuation Date</u></b>	<b><u>Actuarial Value of Assets (a)</u></b>	<b><u>Actuarial Accrued Liability (AAL) Entry Age (b)</u></b>	<b><u>Unfunded AAL (UAAL) (b-a)</u></b>	<b><u>Funded Ratio (a/b)</u></b>	<b><u>Covered Payroll (c)</u></b>	<b><u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u></b>
12/31/00	\$ 4,453,454	\$ 6,107,138	\$ 1,653,684	73%	\$ 1,592,627	104%
12/31/01	4,831,440	6,440,200	1,608,760	75%	1,611,123	100%
12/31/02	5,064,673	6,797,909	1,733,246	75%	1,676,077	103%
12/31/03	5,521,367	7,238,779	1,717,412	76%	1,654,097	104%
12/31/04	6,023,710	8,423,342	2,399,632	72%	1,833,018	131%



# **CITY OF CHARLEVOIX**

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **E. Defined contribution plan**

The City provides pension benefits to its City Manager through a defined contribution plan “City of Charlevoix City Manager Money Purchase Plan.” In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City Council, the City contributes 21.8% of the City Manager’s gross earnings to the plan or provides it as an increase to his annual compensation or a combination of such, at the discretion of the City Manager. His contributions plus interest is allocated to his account and he is fully vested at March 31, 2005.

The City Manager’s base payroll during the current year was \$82,509. The current year calculation resulted in an employer contribution of \$17,987 of which \$1,040 was contributed to the plan and \$16,947 was provided as an increase to compensation.

### **F. Entitlement commitment**

During 1979 and 1982, the Michigan Public Power Agency (MPPA), of which the City is a member, acquired an ownership interest in the Consumer Power Campbell No. 3 plant, the Detroit Edison Belle River Unit and other related assets.

The City has entered into contracts with MPPA for the City’s electric entitlement share of the Campbell No. 3 and Belle River Unit generating capacities of 2074(kw) and 3869(kw), respectively.

The Power Sales Contract requires payments on a “take-and-pay” basis for the City’s entitlement share of power and energy from the Project as is available under the Project Agreements. In the event payment is not required for any month under the City’s Power Sales Contract, the City is required to make payment for such month under this Project Support Contract on a “take-or-pay” basis. The payment under the Project Support Contract would be the amount the City would have been required to pay under its Power Sales Contract for such month if any power and energy from the Project that is available under the Project Agreements had been made available to the City.

If a participant of the MPPA defaults in the performance of its obligations under its Power Sales Contract or Project Support Contract, the MPPA is unable to sell such participant’s entitlement share. The remaining participants not in default are obligated to assume pro rata shares of such entitlement share up to 25 percent of their original entitlement shares.

In prior years, the MPPA over-charged its member utilities on their power sales contract agreements. MPPA and the member utilities have established a trust fund (“The Municipal Competitive Trust”). Specific policies have been established by each member regarding the use of these funds. The City of Charlevoix’s share of this trust fund was approximately \$393,000 at March 31, 2005.

# CITY OF CHARLEVOIX

## NOTES TO THE FINANCIAL STATEMENTS

The City's share of MPPA annual debt service requirements, used as a measure of minimum annual payments are as follows:

<b>Year Ended December 31,</b>	<b>Campbell No. 3</b>		<b>Belle River Unit</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$ 238,074	\$ 53,109	\$ 235,537	\$ 218,165	\$ 373,611	\$ 271,274
2007	145,979	45,298	247,087	206,530	393,066	241,828
2008	154,148	37,045	258,802	194,878	412,950	232,024
2009	162,579	28,335	272,333	181,291	434,912	209,626
2010	135,439	21,155	286,275	167,579	421,714	188,511
2011-2015	444,261	28,419	1,673,183	595,196	2,117,444	623,615
2016-2019	-	-	1,229,663	131,319	1,229,663	131,319
<b>Total</b>	<b><u>\$ 1,180,480</u></b>	<b><u>\$ 213,362</u></b>	<b><u>\$ 4,202,880</u></b>	<b><u>\$ 1,694,735</u></b>	<b><u>\$ 5,383,360</u></b>	<b><u>\$ 1,908,097</u></b>

During the year ended March 31, 2005, the City purchased power from both the Campbell No. 3 and Belle River Units.

### G. Single Audit

It is required by the Michigan Department of Transportation (MDOT) that Airports report total federal awards for planning and construction pertaining to their facility.

During the year ended March 31, 2005 the Airport of the City of Charlevoix expended federal awards in the amount of \$897,492. The entire amount of these expenditures represent Department of Transportation Federal Aviation Administration grant proceeds expended on airport improvement projects under the Airport Improvement Program, whereby work was administered by the Michigan Department of Transportation. Due to the work and funding of these projects being performed at the State level, these expenditures will be included in the single audit procedures of the State. No federal awards expenditures were administered by the City of Charlevoix Airport, therefore a single audit for the City of Charlevoix Airport is not required.

### H. Prior period adjustments

Beginning net assets for the Electric Utility, Sewage Disposal Utility and Water Utility proprietary funds in the fund financial statements were adjusted by (\$122,371), \$68,381 and \$53,990, respectively, to re-allocate customer accounts receivable to the appropriate fund based on service provided. Beginning net assets for the Electric Utility, Sewage Disposal Utility and Water Utility proprietary funds in the fund financial statements, and business-type activities in the government-wide financial statements, was also adjusted by (\$102,649), (\$6,767) and (\$6,206), respectively, to correct the overstatement of customer accounts receivable balance for accounts that had been sent to collections or written off in prior years; however, were not removed from the subsidiary nor general ledgers.

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**CITY OF CHARLEVOIX**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**MARCH 31, 2005**

	<b>Capital Projects Funds</b>			
	<b>Fire Truck and Ambulance</b>	<b>Marina Improvements</b>	<b>Industrial Park</b>	<b>Depot Beach</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,841	\$ 1,108	\$ 64,162	\$ 12,284
Investments	21,569	-	107,041	-
Accounts receivable	-	-	-	-
Interest receivable	442	-	493	-
<b>Total assets</b>	<b>\$ 45,852</b>	<b>\$ 1,108</b>	<b>\$ 171,696</b>	<b>\$ 12,284</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,088	-	12,119
<b>Total liabilities</b>	<b>-</b>	<b>1,088</b>	<b>-</b>	<b>12,119</b>
<b>Fund Balances</b>				
Reserved for perpetual care	-	-	-	-
Unreserved				
Undesignated	45,852	20	171,696	165
<b>Total fund balances</b>	<b>45,852</b>	<b>20</b>	<b>171,696</b>	<b>165</b>
<b>Total liabilities and fund balances</b>	<b>\$ 45,852</b>	<b>\$ 1,108</b>	<b>\$ 171,696</b>	<b>\$ 12,284</b>

Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
Lake Michigan Beach	Mt. McSauba Improvements	Downtown Parking	Total	Cemetery Care	
\$ 30,847	\$ 9,217	\$ 70,528	\$ 211,987	\$ 134,358	\$ 346,345
-	25,000	40,112	193,722	202,802	396,524
-	-	-	-	-	-
-	50	174	1,159	1,620	2,779
<b>\$ 30,847</b>	<b>\$ 34,267</b>	<b>\$ 110,814</b>	<b>\$ 406,868</b>	<b>\$ 338,780</b>	<b>\$ 745,648</b>
\$ -	\$ 30	\$ -	\$ 30	\$ -	\$ 30
30,619	-	-	43,826	-	43,826
<b>30,619</b>	<b>30</b>	<b>-</b>	<b>43,856</b>	<b>-</b>	<b>43,856</b>
-	-	-	-	338,780	338,780
228	34,237	110,814	363,012	-	363,012
<b>228</b>	<b>34,237</b>	<b>110,814</b>	<b>363,012</b>	<b>338,780</b>	<b>701,792</b>
<b>\$ 30,847</b>	<b>\$ 34,267</b>	<b>\$ 110,814</b>	<b>\$ 406,868</b>	<b>\$ 338,780</b>	<b>\$ 745,648</b>

**CITY OF CHARLEVOIX**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2005**

	<b>Capital Projects Funds</b>			
	<b>Fire Truck and Ambulance</b>	<b>Marina Improvements</b>	<b>Industrial Park</b>	<b>Depot Beach</b>
<b>Revenues</b>				
Interest	\$ 1,910	\$ 11	\$ 3,010	\$ 30
Rents and royalties	-	-	-	-
Other revenue	-	-	500	-
<b>Total revenues</b>	<b>1,910</b>	<b>11</b>	<b>3,510</b>	<b>30</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	10,633	-
Public safety	125,599	-	-	-
Recreation and culture	-	-	-	-
<b>Total current expenditures</b>	<b>125,599</b>	<b>-</b>	<b>10,633</b>	<b>-</b>
<b>Total expenditures</b>	<b>125,599</b>	<b>-</b>	<b>10,633</b>	<b>-</b>
<b>Revenues over (under) expenditures</b>	<b>(123,689)</b>	<b>11</b>	<b>(7,123)</b>	<b>30</b>
<b>Other financing sources (uses)</b>				
Transfers in	26,000	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>26,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(97,689)</b>	<b>11</b>	<b>(7,123)</b>	<b>30</b>
Fund balances, beginning of year	143,541	9	178,819	135
<b>Fund balances, end of year</b>	<b>\$ 45,852</b>	<b>\$ 20</b>	<b>\$ 171,696</b>	<b>\$ 165</b>

Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
Lake Michigan Beach	Mt. McSauba Improvements	Downtown Parking	Total	Cemetery Care	
\$ 45	\$ 212	\$ 1,570	\$ 6,788	\$ 7,985	\$ 14,773
-	12,692	-	12,692	-	12,692
-	3,000	33,356	36,856	-	36,856
<b>45</b>	<b>15,904</b>	<b>34,926</b>	<b>56,336</b>	<b>13,760</b>	<b>70,096</b>
-	-	-	10,633	-	10,633
-	-	-	125,599	-	125,599
2	-	-	2	-	2
<b>2</b>	<b>-</b>	<b>-</b>	<b>136,234</b>	<b>-</b>	<b>136,234</b>
<b>2</b>	<b>-</b>	<b>-</b>	<b>136,234</b>	<b>-</b>	<b>136,234</b>
<b>43</b>	<b>15,904</b>	<b>34,926</b>	<b>(79,898)</b>	<b>13,760</b>	<b>(66,138)</b>
-	-	-	26,000	50,000	76,000
-	(9,000)	-	(9,000)	-	(9,000)
<b>-</b>	<b>(9,000)</b>	<b>-</b>	<b>17,000</b>	<b>50,000</b>	<b>67,000</b>
<b>43</b>	<b>6,904</b>	<b>34,926</b>	<b>(62,898)</b>	<b>63,760</b>	<b>862</b>
185	27,333	75,888	425,910	275,020	700,930
<b>\$ 228</b>	<b>\$ 34,237</b>	<b>\$ 110,814</b>	<b>\$ 363,012</b>	<b>\$ 338,780</b>	<b>\$ 701,792</b>

**CITY OF CHARLEVOIX**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**

**MARCH 31, 2005**

	<b>Employee Fringe Benefits</b>	<b>Motor Vehicle</b>	<b>DPW Site</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 158,444	\$ 50,900	\$ -	\$ 209,344
Investments	36,099	85,336	-	121,435
Accounts receivable	938	165	-	1,103
Interest receivable	223	453	-	676
<b>Total current assets</b>	<b>195,704</b>	<b>136,854</b>	<b>-</b>	<b>332,558</b>
<b>Noncurrent assets</b>				
Capital assets, net	-	634,326	140,619	774,945
<b>Total assets</b>	<b>195,704</b>	<b>771,180</b>	<b>140,619</b>	<b>1,107,503</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	11,734	10,869	-	22,603
Accrued expenses	32,112	2,393	-	34,505
Due to other funds	-	-	140,618	140,618
<b>Total current liabilities</b>	<b>43,846</b>	<b>13,262</b>	<b>140,618</b>	<b>197,726</b>
<b>Noncurrent liabilities</b>				
Compensated absences	147,385	-	-	147,385
<b>Total liabilities</b>	<b>191,231</b>	<b>13,262</b>	<b>140,618</b>	<b>345,111</b>
<b>Net assets</b>				
Invested in capital assets	-	634,326	140,619	774,945
Unrestricted (deficit)	4,473	123,592	(140,618)	(12,553)
<b>Total net assets</b>	<b>\$ 4,473</b>	<b>\$ 757,918</b>	<b>\$ 1</b>	<b>\$ 762,392</b>

**CITY OF CHARLEVOIX**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<b>Employee Fringe Benefits</b>	<b>Motor Vehicle</b>	<b>DPW Site</b>	<b>Total</b>
<b>Operating revenues</b>				
Charges for services	<b>\$ 1,533,640</b>	<b>\$ 450,462</b>	<b>\$ 133,900</b>	<b>\$ 2,118,002</b>
<b>Operating expenses</b>				
Personal services	1,472,152	137,598	-	1,609,750
Contractual services	79,302	17,518	-	96,820
Supplies	-	49,820	-	49,820
Utilities	-	11,004	-	11,004
Repairs and maintenance	-	54,416	-	54,416
Depreciation	-	143,360	11,580	154,940
Miscellaneous	2,132	1,197	-	3,329
<b>Total operating expenses</b>	<b>1,553,586</b>	<b>414,913</b>	<b>11,580</b>	<b>1,980,079</b>
<b>Operating income (loss)</b>	<b>(19,946)</b>	<b>35,549</b>	<b>122,320</b>	<b>137,923</b>
<b>Nonoperating revenues (expenses)</b>				
Interest revenue	1,013	1,345	4,029	6,387
Gain on sale of capital asset	-	16,939	-	16,939
Other revenue	13,714	155	-	13,869
<b>Total nonoperating revenues (expenses)</b>	<b>14,727</b>	<b>18,439</b>	<b>4,029</b>	<b>37,195</b>
<b>Income (loss) before transfers</b>	<b>(5,219)</b>	<b>53,988</b>	<b>126,349</b>	<b>175,118</b>
<b>Transfers</b>				
Transfers in	10,000	-	15,200	25,200
Transfers (out)	-	(49,500)	(142,320)	(191,820)
<b>Total transfers</b>	<b>10,000</b>	<b>(49,500)</b>	<b>(127,120)</b>	<b>(166,620)</b>
<b>Change in net assets</b>	<b>4,781</b>	<b>4,488</b>	<b>(771)</b>	<b>8,498</b>
Net assets, beginning of year	(308)	753,430	772	753,894
<b>Net assets, end of year</b>	<b>\$ 4,473</b>	<b>\$ 757,918</b>	<b>\$ 1</b>	<b>\$ 762,392</b>



**CITY OF CHARLEVOIX**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<b>Employee Fringe Benefits</b>	<b>Motor Vehicle</b>	<b>DPW Site</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Cash received from interfund services	\$ 1,535,062	\$ 450,372	\$ 133,900	\$ 2,119,334
Cash payments to employees	(1,453,919)	(138,002)	-	(1,591,921)
Cash payments to suppliers for goods and services	(94,126)	(143,240)	-	(237,366)
<b>Net cash provided by (used in) operating activities</b>	<b>(12,983)</b>	<b>169,130</b>	<b>133,900</b>	<b>290,047</b>
<b>Cash flows from non-capital financing activities</b>				
Miscellaneous income	13,714	155	-	13,869
Repayment of amount due to other funds	-	-	(61,405)	(61,405)
Transfers in from other funds	10,000	-	15,200	25,200
Transfers out to other funds	-	(49,500)	(142,320)	(191,820)
<b>Net cash provided by (used in) operating activities</b>	<b>23,714</b>	<b>(49,345)</b>	<b>(188,525)</b>	<b>(214,156)</b>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from the sale of capital assets	-	87,439	-	87,439
Purchase of capital assets	-	(165,650)	-	(165,650)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>-</b>	<b>(78,211)</b>	<b>-</b>	<b>(78,211)</b>
<b>Cash flows from investing activities</b>				
Proceeds from matured investments	-	-	50,000	50,000
Purchase of investments	(1,099)	(70,000)	-	(71,099)
Investment income	1,206	1,093	4,625	6,924
<b>Net cash provided by (used in) investing activities</b>	<b>107</b>	<b>(68,907)</b>	<b>54,625</b>	<b>(14,175)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,838</b>	<b>(27,333)</b>	<b>-</b>	<b>(16,495)</b>
Cash and cash equivalents, beginning of year	147,606	78,233	-	225,839
<b>Cash and cash equivalents, end of year</b>	<b>\$ 158,444</b>	<b>\$ 50,900</b>	<b>\$ -</b>	<b>\$ 209,344</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ (19,946)	\$ 35,549	\$ 122,320	\$ 137,923
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	-	143,360	11,580	154,940
Gain on sale of capital assets	-	(16,939)	-	(16,939)
Changes in assets and liabilities				
Accounts receivable	1,422	(90)	-	1,332
Inventory	-	2,564	-	2,564
Accounts payable	(12,692)	5,090	-	(7,602)
Accrued liabilities	19,282	(404)	-	18,878
Accrued compensated absences	(1,049)	-	-	(1,049)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (12,983)</b>	<b>\$ 169,130</b>	<b>\$ 133,900</b>	<b>\$ 290,047</b>

**CITY OF CHARLEVOIX**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**CURRENT TAX COLLECTION FUND**  
**FOR THE YEAR ENDED MARCH 31, 2005**

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash	<u>\$    130,455</u>	<u>\$  7,357,214</u>	<u>\$  (7,393,474)</u>	<u>\$      94,195</u>
<b>Liabilities</b>				
Undistributed receipts	<u>\$    130,455</u>	<u>\$  18,912,816</u>	<u>\$  (18,949,076)</u>	<u>\$      94,195</u>

**CITY OF CHARLEVOIX**  
**BALANCE SHEET AND STATEMENT OF NET ASSETS**  
**COMPONENT UNIT**

**MARCH 31, 2005**

	<b>Downtown Development Authority</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 395,311	\$ -	\$ 395,311
Cash with fiscal agent	125,473	-	125,473
Investments	360,000	-	360,000
Taxes receivable	984	-	984
Interest receivable	458	-	458
Other assets	-	40,634	40,634
Capital assets not being depreciated	-	923,071	923,071
Capital assets, net of depreciaton	-	4,493,040	4,493,040
<b>Total assets</b>	<b><u>\$ 882,226</u></b>	<b><u>5,456,745</u></b>	<b><u>6,338,971</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 23,487	-	23,487
Accrued liabilities	-	22,728	22,728
Noncurrent liabilities			
Long term debt due within one year	-	349,347	349,347
Long term debt due in more than one year	-	2,741,084	2,741,084
<b>Total liabilities</b>	<b><u>23,487</u></b>	<b><u>3,113,159</u></b>	<b><u>3,136,646</u></b>
<b>Fund balance</b>			
Unreserved	858,739	(858,739)	-
<b>Total liabilities and fund balance</b>	<b><u>\$ 882,226</u></b>		
<b>Net assets</b>			
Invested in capital assets, net of related debt		2,325,680	2,325,680
Unrestricted		876,645	876,645
<b>Total net assets</b>		<b><u>\$ 3,202,325</u></b>	<b><u>\$ 3,202,325</u></b>

**CITY OF CHARLEVOIX**

**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES**  
**COMPONENT UNIT**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<b>Downtown Development Authority</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 768,962	\$ -	\$ 768,962
Rents	-	600	600
Gain on sale of capital asset	490,942	(490,942)	-
Interest	8,405	-	8,405
<b>Total revenues</b>	<b>1,268,309</b>	<b>(490,342)</b>	<b>777,967</b>
<b>Expenditures / expenses</b>			
Current			
Other functions	96,210	248,973	345,183
Debt service			
Principal	835,000	(835,000)	-
Interest and fiscal charges	67,971	(67,971)	-
<b>Total expenditures / expenses</b>	<b>999,181</b>	<b>(653,998)</b>	<b>345,183</b>
<b>Change in fund balance / net assets</b>	<b>269,128</b>	<b>163,656</b>	<b>432,784</b>
Fund balance / net assets, beginning of year	589,611	2,179,930	2,769,541
<b>Fund balance / net assets, end of year</b>	<b>\$ 858,739</b>	<b>\$ 2,343,586</b>	<b>\$ 3,202,325</b>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

June 30, 2005

The Honorable Mayor and  
Members of the City Council  
City of Charlevoix  
Charlevoix County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Charlevoix*, as of and for the year ended March 31, 2005, which collectively comprise the *City of Charlevoix's* basic financial statements and have issued our report thereon dated June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated June 30, 2005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of members of the City Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

June 30, 2005

City Council  
City of Charlevoix  
Charlevoix, MI 49720

Through our role in performing financial statement services for the past several years, we have become familiar with your systems, operations and management team. As we work with our clients, we strive to provide direction and constructive feedback to help facilitate their success. The better we get to know you and your objectives, the more we can offer in terms of proactive advice.

In planning and performing our audit of the financial statements of the *City of Charlevoix* (the "City") for the year ended March 31, 2005, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during the above-mentioned engagement, we became aware of opportunities for strengthening controls and improving operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated June 30, 2005 on the financial statements of City.

We have already discussed these comments with the City Manager and Treasurer, and we would be pleased to discuss them in further detail at your convenience.

If we can be of assistance, we hope you will view us as an integral part of your team.

Best wishes for a successful 2005-2006.

Encl.1

**City of Charlevoix**  
Comments and Recommendations  
March 31, 2005

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**DISASTER RECOVERY PLAN**

As noted in the prior year, disaster recovery plans are intended to minimize the extent of interruption to normal business operations, establish a means for orderly recovery of programs and data and instruct personnel how to handle emergency situations. Although the City has written disaster recovery plans in place in specific areas of the City's operations, including public safety and the airport, we recommend creating a disaster recovery plan that addresses operations City-wide.

**UTILITY RECEIVABLE COLLECTIONS**

During fiscal 2005, the City wrote off delinquent utility receivable accounts, net of any related deposit. These accounts were generally for service related to rental properties. The City exhausted its collections efforts and a majority of these accounts were turned over to a collection agency; however, when the account becomes significantly past due collection by either the City or a third party is unlikely. To improve utility receivables collection and therefore limit the amount of bad debt expense related to such receivables, we recommend that the City revisit the current collection/write-off policy and related ordinances for the utility services they provide and consider the following:

- Improve monitoring of the aged trial balance to include detail reporting to the Treasurer of all accounts 90 days or more past due.
- Reassess the amount requested for deposit for all rental properties.
- Institute a credit policy that includes specified credit limits for each customer, which could be directly related to the amount held by the City in the form of a deposit.
- Adopt an ordinance that makes the lessor (property owner) responsible for utility bills related to the property, which would allow for attachment to the property tax roll in event of a renter default.

**ACCRUED COMPENSATED ABSENCES**

The City has recorded the liability and has accumulated cash and investments for the payout of accrued compensated absences related to vacation pay in the Employee Fringe Benefit Fund. Subsequent to the implementation of GASB 34 which requires the full accrual basis of accounting at the government-wide level, the City recorded the liability for accrued compensated absences related to sick pay. We recommend that the City design a plan to accumulate additional cash and/or investments for the payout of these sick pay benefits over a reasonable period of time and consider showing such as a designation of fund balance.



**City of Charlevoix**  
Comments and Recommendations  
March 31, 2005

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**CAPITAL ASSET RECORD KEEPING**

The City does not have a capital asset depreciation software program and is currently maintaining fixed asset records in a Microsoft Excel spreadsheet for the government-wide and fund level financial statements. The disadvantage of using spreadsheets is the increase risk of error in the formulas used to compute the depreciation expense and resulting net book value and the lack of security as the files can be manipulated easily at any computer as no specific program is required to access the data. It has also provided for difficulties from year to year as such spreadsheets have no roll-forward capabilities or a way of tracking additions and disposals. There are a number of inexpensive capital asset depreciation software packages available that could make the task of capital asset record keeping easier. We recommend that management investigate purchasing a depreciation software package.

**CONCLUSION**

It has been a pleasure to provide audit services to the *City of Charlevoix*. Management was prepared for the audit, providing us with a reasonably adjusted trial balance and all supporting documents requested. Thank you for providing all requested information.

We appreciate your business! Thank you.